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WORLD NEWS

Sakharov in clash with Gorbachev

Soviet human rights campaigner Dr Andrei Sakharov seized centre stage at the Congress of People's Deputies yesterday with a plea for radical changes to the country's entire power structure.

His political testament was delivered against hostile applause and attempts by Soviet leader Mikhail Gorbachev to silence him – but as the inaugural session of the congress closed, Mr Gorbachev emerged clearly confirmed as the most powerful Soviet head of state since Joseph Stalin. Page 22; Gorbachev unlikely to spring initiative in Bonn, Page 2

Uzbek violence flares
Five thousand men armed with automatic rifles and pistols stormed the Soviet town of Kokand in Uzbekistan, shooting at least 100 people in a sixth day of ethnic violence, a senior Soviet officer said.

West German teachers
Havering education authority in east London is breaking new ground by recruiting teachers in West Germany to try to solve its teacher shortage problems. Four Freiburg teachers will start work there in September. Page 5

Action on ivory imports
The 12 European Community countries have agreed in principle to ban imports of ivory. African elephant numbers have dwindled from 1.3m in 1979 to 625,000 because of poaching for ivory. Page 2

Minister assassinated
Rodriguez Porth, El Salvador's new Minister of the Presidency, was shot dead outside his home by gunmen who fired from a car. A driver and a bodyguard also died. The assassination was blamed on left-wing guerrillas.

Palme witness move
A surprise witness told the Swedish media he could provide a watertight alibi for the man on trial for assassinating Swedish Prime Minister Olof Palme in 1986.

Security breach probed
Police called to investigate alleged theft at a Smiths Industries aerospace factory in Cheltenham arrested a worker found in a restricted area for which he had no security clearance.

Piper Alpha search ends
The search for the bodies of 30 men missing since the Piper Alpha oil platform explosion has been officially abandoned.

Polish leader's visit
Polish leader General Jaruselski is due in London today on a private visit for talks with Mrs Thatcher. A political void opens, Page 7

West Bank shooting
Israeli soldiers were reported to have shot dead three Palestinians during clashes in villages near Nablus in the occupied West Bank.

Clarke warns doctors
Health Secretary Kenneth Clarke warned doctors that he would impose the Government's own levels of fees and allowances if they refused to accept new contracts.

Papandreou's divorce
Greek Prime Minister Andreas Papandreou, 70, whose affair with a 34-year-old air hostess became public last September, was granted a divorce.

Crime doesn't pay
A San Francisco judge sentenced Calvin Robinson to life and ordered him to pay $1,760 (£1,132) a month for the cost of his imprisonment. Robinson was convicted of bringing drugs worth $1bn into the US.

Australia onslaught
Steve Waugh's 174 not out brought Australia's score to 580 for six at the end of the second day of the Test at Headingley.

BUSINESS SUMMARY

BA to buy $300m of Canadair jets

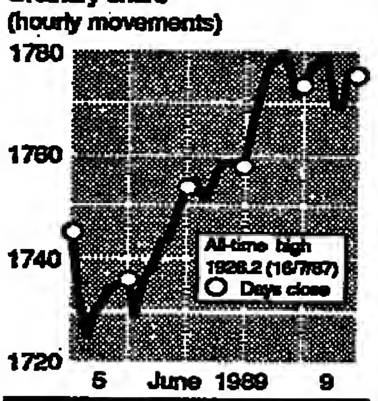
British Airways placed a $300m (£193m) order for 20 of Canadair's new 50-seat RJ Regional Jet mini-airliners at the Paris Air Show. Another 20 of the aircraft were ordered by Alisarda, a Sardinian airline.

The orders came only days after the UK Government announced the sale of Belfast aerospace company Short Brothers to Bombardier, Canadair's parent company in Canada. Shorts will help design and make the Regional Jet.

Orders on the first two days of the show came to $5bn and included the first sales of Airbus airliners to Japan.

UK EQUITIES ended a week of drama on the global stage by holding on to the ground recovered over the previous three sessions. Over the week the FT Ordinary index gained 30.2 to 1,775.7. London Stock Exchange, Page 15

FT Index
Ordinary share (hourly movements)



LLOYDS Bank is to shed its 15 regional head offices in a shake-up of its UK retail banking operations. Page 3

UK COMMERCIAL vehicle sales jumped by 11.31 per cent in May to 32,893, said the Society of Motor Manufacturers and Traders. Page 3

STOREHOUSE, UK retail group, dismissed a conditional bid worth 185p a share from US arbitrageur Asher Edelman. Page 8; Lex, Page 22

ROLLS-ROYCE is to set up a $200m (£118m) financing company with Chrysler, Mitsubishi Trust and National Westminster Bank, to help it finance aero-engine and other product sales. Page 2

ENGINEERING UNION leaders claimed they had made a breakthrough in their fight for a shorter working week in the industry. Page 5

ELECTRONICS industry executives in the US and Japan moved nearer a resolution of their long-running semi-conductor trade dispute. Page 3

INDIA'S Associated Chambers of Commerce and Industry proposed that foreigners be allowed to hold majority 51 per cent stakes in Indian companies in an effort to boost foreign investment.

DUTCH Central Bank hopes to rein in excessive bank lending through a new "cash reserve" penalty. Page 2

BOASE Massimi Pollitt: Boulet Dru Dupuy Petit, French predator of the UK advertising agency and marketing services company, said it intended to allow its leveraged offer for the group to lapse. Page 8

US DOLLAR BOND prices hit their highest level in more than two years. Page 13

BROWN SHIPLEY Holdings, City merchant banking and financial services group, suffered a sharp drop in annual pre-tax profits to £2.95m from £6.91m. Page 8

HONG KONG Telecommunications, subsidiary of UK telecommunications group Cable and Wireless, saw attributable annual profits jump 21 per cent to HK$3.63bn (£294m). Page 10; Lex, Page 22

ALAN BOND, Australian businessman, plans to establish Hungary's first national cellular phone system in a venture with Coopinvest, a Budapest investment firm.

Rebellion moves to Shanghai as Deng addresses the nation

By Robert Thomson in Peking and Robin Pauley in London

SHANGHAI, China's largest city, yesterday emerged as the new centre of the country's pro-democracy rebellion as Deng Xiaoping, the paramount leader, reappeared in public for the first time in three weeks.

More than 50,000 people poured into Shanghai's People's Square dressed in white and black mourning colours. The peaceful protest was watched by police who did not interfere.

Zhu Rongji, the liberal mayor of Shanghai, refused to label the students "counter-revolutionaries" and called them "patriots," indicating that the Peking leaders have not yet managed to impose a universal line. Zhu said he had received many requests to call in the army and mobilise the police to restore order but these had been rejected.

Shanghai, a city of 12m people and where the Chinese Communist Party was founded, has a history of taking a strongly independent line against the central leadership.

Shanghai rebel students said that they were striving to rebuild their nationwide union shattered by the army's massacre of pro-democracy protesters in Peking last Sunday.

Students in three Shanghai universities and one in Nanjing said they planned to re-establish the union in Shanghai over the next few days and use it as a nerve centre for a nationwide resistance network.

One student leader said: "We will fight on until the end," adding that some student leaders who had survived the Peking massacre were expected in Shanghai today.

The Chinese leader, Deng Xiaoping, appeared last night in public for the first time in three weeks as Peking seems increasingly to be firmly under the control of Deng's hard-line team.

Deng delivered an ambiguous message condemning the student-led "counter-revolution" but promising that the country's reform policies would remain in place.

Hong Kong visit

SIR Geoffrey Howe, the British Foreign Secretary, will visit Hong Kong at the beginning of July in a bid to restore the colony's confidence in the 1984 agreement negotiated by Britain and China.

Sir Geoffrey will discuss with local representatives the possibility of modifying Britain's strict entry rules for Hong Kong citizens who might want to go to Britain after the colony is returned to China in 1997. Page 2


A frail Deng Xiaoping delivers his message on TV

Surrounded by the Mao-suited elderly conservatives who have supported him in a power struggle, Deng congratulated a gathering of military chiefs on last weekend's violent end to pro-democracy protests and alleged that the students were attempting to turn China into a "bourgeois liberal republic."

An ominous sign that intellectuals may now be in big trouble was the stationing yesterday of about 20 soldiers in front of the Chinese academy of Social Sciences, which is a prime target for the conservatives. Many Chinese academics fear that they will be punished for controversial research in recent years, when Zhao Ziyang, the party chief, encouraged debate on sensitive political issues.

A few hours after Deng Xiaoping's televised appearance, the majority of the tanks stationed in Peking's Tiananmen Square for the past week withdrew, although troops could still be seen patrolling corners of the square.

At one stage Deng, looking more frail than usual, faltered in his speech and was corrected, an unusual sight for Chinese accustomed to seeing him as an all-powerful leader.

He congratulated the people's liberation army for being a "great wall of iron," and said that the troops, in clearing Tiananmen Square, "did not forget the people and the party."

It was significant that Zhao Ziyang was not seen at the televised gathering. In his speech, Deng said that the party must "correct its mistakes." He has previously said that appointing Zhao was one of his greatest mistakes.

For the first time since last weekend, buses yesterday ran along Chang An Avenue, which divides the capital, and more shops were open, although the city was again unusually quiet last night.

Further reports, Page 2; Editorial comment, Page 20, Lex, Page 22

EC curbs on car emissions agreed

By Tim Dickson in Luxembourg

THE European Community yesterday agreed far-reaching measures to curb car pollution in what is being hailed as the EC's most ambitious environmental initiative.

The decision to adopt common American-style exhaust standards by the end of 1992 will have huge environmental benefits and should lead to a 60-70 per cent reduction in the most noxious exhaust gases emitted by cars below 1400cc (about 60 per cent of those on European roads).

EC diplomats say it is only a matter of time before the same standards are adopted for so-called medium and large-sized cars.

The package will also have a considerable impact on consumers and car manufacturers alike, adding an estimated £1.6bn to the annual costs of British motorists and requiring billions of pounds of new investment by the European motor industry.

Yesterday's agreement, which even six months ago would have been unthinkable, is a further sign of the growing impact of the green movement in European politics.

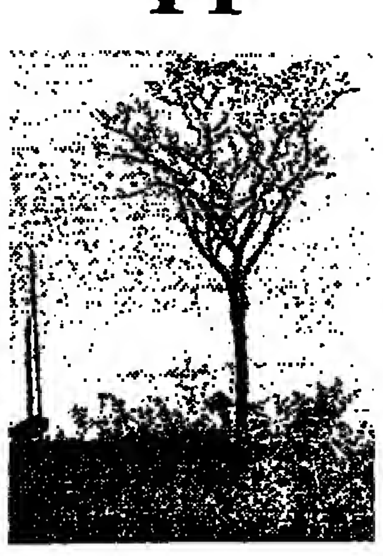
"The agreement is a great leap forward for Europe," a delighted Mr Carlo Ripa di Meana, the EC's Environment Commissioner, said after yesterday's painfully negotiated deal. "The strict norms which we have decided on . . . are an effective defence of the environment and respond to the growing demands of public opinion."

The final package was markedly "greener" than the Commission proposal on the table when the meeting of EC Environment Ministers began on Thursday. This was due to the determination of a key group of countries, led by West Germany and the Netherlands, to bring forward the date for implementation and ensure that the EC sanctioned immediate national tax incentive schemes aimed at encouraging consumers to purchase "cleaner" cars.

Although alliances shifted in the subsequent negotiations, this lobby was strongly opposed by other member states, notably Britain, which argued that such inducements would distort the market.

The final compromise, opposed only by Denmark and Greece, retains original Commission proposals which were Continued on Page 22

Weekend FT



THE LAST FRONTIER
Impoverished peasants. Ruthless landowners. Now the Amazon rain forest is facing another threat. Robert Graham weighs up the latest controversy
Page I

Finance
Mark next Thursday in your diary if you're an Abbey National member. David Barchard tells you why
Page V

Diversions
Labour's Barbara Castle is retiring after 50 years in politics. But, as Christian Tyler finds out, she is still on the campaign trail in next week's Euro elections
Pages XXI-XXIII

Arts
William Packer and Colin Amery on the Royal Academy's summer show
Page XXIV-XXV

Sport
Ben Wright previews the US Open golf tournament and John Barrett is at the French tennis championships
Page XXVI

Books
Three pages of Business Books and Nigel Andrews on the autobiographies of two screen stars
Pages VIII-XI

Dock strike spreads to eight ports

By Jimmy Burns and John Gapper

UNOFFICIAL strikes involving more than a third of Britain's registered dockers spread yesterday to affect eight ports as the Government warned it was considering legal curbs on wildcat action.

Dockers in the ports of Newport in Wales, Great Yarmouth and Ipswich yesterday followed those in Tilbury, Liverpool, Lowestoft, Bristol and Garston who went on unofficial strike on Thursday in protest at a temporary injunction banning the Transport and General Workers Union from implementing a national docks strike.

By last night 3,300 dockers, of the 9,400 registered under the Dock Labour Scheme, were on strike in defiance of a call from Mr Ron Todd, the TGWU general secretary, for them to continue working pending an appeal to the House of Lords.

Mr Norman Fowler, Employment Secretary, told a Confederation of British Industry conference in London that unofficial strikes, such as those which have also hit the capital's Underground trains, amounted to "industrial blackmail" which was "wholly indefensible".

He said afterwards that legislation to curb unofficial action could be published in the autumn, following a consultation paper to be issued within a couple of months.

Mr Fowler said he was studying at least two options for making unions more responsible for individual members in cases of unofficial action "with not only the acquiescence, but possibly the total support of the union in question."

Earlier yesterday, Mr Todd ignored calls from dockers' leaders that he should call a national strike from midnight last night. TGWU shop stewards will meet today to consider spreading the unofficial action.

The TGWU's 25-man National Docks Committee, made up of port shop stewards, is understood to have asked the union's executive to call an official strike on the basis of last month's ballot in which dockers voted by a 3-1 majority for action.

Mr Todd reiterated that his union intended to conduct itself in strict accordance with the law.

He was told yesterday by Mr Norman Willis, Trades Union Congress general secretary, that the TGWU would be given full financial support to cover legal costs.

The TUC said it feared that last week's Court of Appeal decision had wide implications for the trade union movement. The court considered the impact of the docks strike on the public interest and reminded dockers of their "statutory duties" to continue working.

However, Mr Todd's hopes of steering the dispute along official lines were set back yesterday when the House of Lords indicated it would not grant an early hearing to the union in its appeal against last week's court ruling.

Union lawyers have been told that the Law Lords will be unable to consider the appeal until Monday week at the earliest, four days after the expiry of the mandate of the TGWU's national docks strike ballot which was completed on May 17.

Under trade union law, any strike must be implemented within 28 days of the ballot being completed.

In the port of Hull yesterday, nearly 700 dockers decided against striking at a mass meeting. At Southampton, union officials predicted that 670 dockers, who plan a mass meeting on Monday, would also decide against going on strike.

Employment, Page 5

Dollar surges in response to jump in US inflation index

By Janet Bush in New York and Ralph Atkins in London

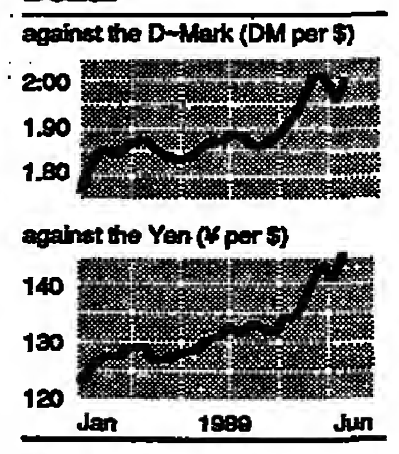
THE DOLLAR surged yesterday in response to an unexpectedly large jump in US inflation indicators for May. Foreign exchange dealers believe this will prevent the US Federal Reserve from easing monetary policy any further for the time being.

The prospect of interest rates remaining at attractive levels triggered widespread buying of the US currency which jumped above DM2 for the first time in more than two weeks. At midday in New York, the dollar was quoted nearly four pfennigs above the day's lowest level at DM2.0085 and Y3 higher at Y148.25.

The dollar's rise further undermined sterling at the end of a nervous week for the UK currency, although the pound gained ground against the D-Mark and Yen. The Bank of England's trade weighted index fell 0.3 points to 92.0, down 0.5 on the week.

The pound lost almost two cents in London trading to close at its lowest level since February 1987 but put on a quarter of a pfennig against the D-Mark.

Dollar



Sterling was encouraged by government attempts during the week to clarify apparent policy differences between Mr Nigel Lawson, the Chancellor, and the Prime Minister.

Speaking in Durham yesterday during a tour of north-east England, Mr Lawson said high interest rates were necessary to get inflation down and rates would remain high "for some months".

Sterling faces a tough week, particularly if the dollar's rise continues. A series of UK economic statistics are likely to show the annual inflation rate rising well above the present 8 per cent, while figures for manufacturers' factory-gate prices and average earnings could flash warnings of price rises to come.

The US Labor Department reported that the Producer Prices Index increased by 0.9 per cent last month, compared with expectations of a much more modest gain of around 0.4 per cent, as in April.

The PPI figure capped a week in which the US Federal Reserve engineered a fall of about ¼ point in the targeted Fed Funds rate – the rate at which commercial banks lend to each other overnight – because of evidence of a broad deceleration in economic growth and belief that inflation is under control.

Despite the jump in inflation Continued on Page 22

Currencies, Page 11; World stock markets, Page 13; London stock exchange, Page 15

MARKETS

STERLING
New York lunchtime: $1.551
London: $1.555 (1.573)
DM3.1125 (3.11)
FFr10.560 (10.555)
SFr2.706 (2.695)
Y227.0 (225.5)
£ Index 92.0 (92.3)

GOLD
New York: Comex Aug $366.5
London: $368.5 (374.5)

N SEA OIL (Argus)
Brent 15-day Jun $17.55 (17.525)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime: DM2.0085
FFr6.7975
SFr1.743
Y146.12
London: DM2.0015 (1.9775)
FFr6.785 (6.71)
SFr1.74 (1.7125)
Y148.05 (143.35)
$ index 73.1 (72.1)
Tokyo close: Y143.5

US LUNCHTIME RATES
Fed Funds 9⅞%
3-mo Treasury Bills: yield: 8.468%
Long Bond: 107 3/32
yield: 8.162%

STOCK INDICES
FT-SE 100: 2,142.1 (−1.3)
FT Ordinary: 1,775.7 (+2.7)
FT-A All Share: 1,101.84 (−0.0%)
FT-A long gilt yield index high coupon: 9.84 (9.8)
New York lunchtime: DJ Ind. Av. 2,514.89 (−2.02)
Tokyo: Nikkei 33,639.98 (−78.31)

LONDON MONEY
3-month interbank: closing 14⅛% (13 31/32)

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr60; Canada C$1.00; Cyprus CC0.90; Denmark DKr10.00; Egypt E£2.25; Finland Fmk7.00; France FFr7.00; Germany DM2.50; Greece Dr150; Hong Kong HK$12; Iceland IKr125; India Rup15; Indonesia Rp3,100; Ireland IE0.80; Israel NIS3.50; Italy L1700; Japan Y600; Jordan Fils.600; Kuwait Fils.600; Lebanon $1.25; Luxembourg LFr60; Malaysia Rls4.25; Malta 40c; Mexico Pes2,500; Morocco Dh8.00; Netherlands Fl3.00; Norway NKr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bt50; Tunisia Din0.800; Turkey L600; UAE Dh7.00; USA $1.00.

OVERSEAS NEWS

A Chinese soldier stands watching students demonstrating in Shanghai

Moscow says it needs to borrow extra $14bn

By Quentin Peel in Moscow

THE Soviet Union needs to borrow an additional Rs9.5bn, or $14bn (£8.2bn) in 1989 just to service its hard currency foreign debt, Mr Nikolai Ryzhkov, the Soviet Prime Minister, said yesterday.

The huge extra burden to service the debt – equivalent to more than 25 per cent of the current Soviet borrowing – rules out any significant new loans to relieve the country's chronic shortages of consumer goods, he said.

He revealed for the first time a figure in roubles for total Soviet foreign borrowing from the West, putting it at Rs34bn - or rather more than $50bn at the current exchange rate.

That figure is significantly higher than the $40bn outstanding at the end of 1988, estimated by the Bank for International Settlements and other Western sources, but it is almost certainly inflated by the recent rise in the dollar.

However, the cost of debt servicing will push total Soviet borrowing well over $50bn this year, barring a radical improvement in energy prices for the country's principal exports of oil and gas.

Mr Ryzhkov was defending the economic policy of the Soviet government, and the slow pace of the current economic reforms after a series of outspoken attacks by radical economists, and rank-and-file deputies, in the new Congress of People's Deputies.

He forecast export earnings in hard currency to the West at some Rs16bn in 1989 – and essential imports from the West at Rs18.6bn.

The imports include Rs5bn to be spent on grain and food products – or almost one third of the available hard currency. "Can we reduce that figure?" Mr Ryzhkov demanded of the deputies. "I think that taking account of the situation in the agricultural sphere today, we would sharply aggravate the food supply position in this country."

The other major items to be paid from hard currency earnings are Rs2.5bn on new machinery and the transfer of technology, Rs2.6bn on chemical raw materials, Rs1.5bn on raw materials for light industry, and Rs2bn on rolled steel for special pipes, he said.

Debt service costs on the Rs34bn outstanding would cost Rs12bn, leaving an unfinanced balance of more than Rs9.5bn, or $14bn.

"We are getting into debt again," Mr Ryzhkov declared. "Can we allow ourselves to fall deeper and deeper into debt?"

The Soviet premier, who tomorrow is due to present a drastically streamlined government for the approval of the Supreme Soviet, nevertheless defended plans for massive investment in developing the petrochemical industry in Western Siberia, sharply criticised by many academic economists as wild extravagance in the country's present economic crisis.

The multi-billion dollar projects planned for western Siberia, the site of the Soviet Union's largest reserves of natural gas, will involve a string of foreign partners, including Mitsubishi, Mitsui, Chioda and Marubeni of Japan, Montedison and ENI of Italy, Occidental Petroleum and Combustion Engineering of the US.

Howe to visit Hong Kong in bid to defuse entry row

By Robert Mauthner, Diplomatic Correspondent

SIR Geoffrey Howe, the British Foreign Secretary, will visit Hong Kong at the beginning of July to discuss with local representatives the possibility of modifying Britain's strict entry rules for Hong Kong citizens who might want to go to Britain after the colony is returned to China in 1997.

The visit is intended to restore Hong Kong's confidence in the 1984 agreement on Hong Kong's future status negotiated by Britain and China, which has been severely shaken by the violent suppression of the Peking student demonstrations.

The Foreign Secretary's visit will give Sir David Wilson, the Governor of the Hong Kong, another chance to press his demand that all the colony's 3.2m British passport-holders should be given the right of entry to the UK after 1997.

Though the Governor said after his talks with Mrs Margaret Thatcher in London yesterday, that the Prime Minister's response had been "very satisfactory" and added up to "a great deal more than tea and sympathy," officials said today that he had received more sympathy than tea.

Mrs Thatcher had told Sir David that, though she was prepared to see how present immigration arrangements for Hong Kong citizens could be made more flexible, there was no prospect whatsoever that all the colony's 3.2m citizens would be allowed to come to Britain.

The Governor was understood to have argued that it was highly unlikely that even a fraction of this number would want to come to the UK, but that Britain had a moral obligation to give them refuge in the event of repressive action by Peking once it had regained control of Hong Kong. Sir David also stressed in his meeting with the Prime Minister that a distinction could be made between "right of entry" and "right of permanent abode." What the Hong Kong people needed was "an insurance policy" which they could cash in only as a last resort.

Sir David also emphasised to the Prime Minister that the situation in Hong Kong caused by the constant inflow of Vietnamese "boat people" – still running at 500 a day – had become intolerable. The British government hopes that a solution involving the mandatory repatriation of "boat people" from Hong Kong will be found at next week's international refugees conference in Geneva, failing which it is expected to take unilateral action.

Sir Adrian Swire, chairman of the long-established John Swire and Sons which owns Hong Kong airline Cathay Pacific, said yesterday Britain had a moral obligation to the people of Hong Kong and should give the right of abode to the Hong Kong Chinese."

But Sir Adrian, interviewed on BBC Radio Four's World at One programme, stressed that the Peking leadership, however hardline, realised the colony would be no use to them unless it was an international city, "a gateway to the outside world".

Confidence had taken a knock because of the unrest in China, he said, "but the important thing is that the institutional fabric of Hong Kong has held".

Mr Gerald Kaufman, the shadow foreign secretary, set off yesterday to Hong Kong with a Labour Party foreign affairs team on a fact-finding mission.

Bush wins reprieve on China

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush has won general support in the US for his desire to preserve the US relationship with China, while insisting that restoration of "totally normal relations" depends on recognition by the country's leadership of the validity of the students' aspirations and rights.

Mr Bush's position, restated on TV late on Thursday, has won him breathing space in Congress even from those urging tougher action. For the moment, they are willing not to go further than suspension of military sales and contacts.

But there has been some rumbling among conservatives. First, a "realpolitik" group are concerned that too open a breach with China risks giving Moscow a chance to increase its influence.

Second, there are those who never liked former President Nixon's rapprochement with China and who believe the real nature of the Peking régime has now been shown.

Republican Senator Jesse Helms has proposed "contingency sanctions" against China, revoking its special trade status and access to US high technology, "if the murder rampage continues".

This view reflects the deep moralism in US politics and is shared by some Democrats.

President Bush veers to the former group's sense of caution, but circumstances have forced him to express the protests of the latter at the attack on what Americans regard as universal democratic rights.

Mr Bush's most effective expression of his outrage came in his news conference last Monday. Thursday's full-scale event was, in the words of the Washington Post critic Mr Tom Shales, "tame and dry".

These full-scale White House events are ideal occasions for a president who wants to appear very presidential. But Mr Bush is more informal, preferring give and take.

Thursday's most memorable moment was his admission that he had tried, and failed, to get through by phone to Deng Xaio Ping. "I will keep on trying," he promised.

Nato agrees to go for 3% spending increase

By David Buchan in Brussels

NATO DEFENCE ministers yesterday agreed they should still aim to increase military spending by around 3 per cent a year, unless and until the Vienna disarmament talks produce "tangible improvement" in the imbalance of conventional forces with the East.

Reaffirmation of Nato's long-standing military spending guideline, frequently flouted by individual Western allies in recent years, came only a day after the Soviet government promised big reductions in the share of Soviet national income going to defence by the mid-1990s.

The defence ministers said they shared the high hopes for East-West force cuts voiced at last month's Nato summit. But, in a communiqué concluding one of their regular twice-yearly meetings, the ministers said they still had to base their defence requirements on "the realities of the Warsaw Pact's military capabilities".

However, the spending guideline is for real increases "in the order of 3 per cent", couched more than ever as a goal rather than a commitment. The Nato communiqué notes that no ally had consistently met the 3 per cent guideline since it was agreed back in 1977, though eight of the 16 allies had "generally" achieved the target.

Mr George Younger, UK defence secretary, said the spending guideline was an incentive to performance.

But the ministers instructed their Nato ambassadors to start work on adapting Nato defence planning to the implications of President Bush's call for a conventional force reduction accord with the Warsaw Pact within six to 12 months.

Mr Dick Cheney, US defence secretary, admitted this timetable was "very optimistic", but it was important to "see if we can make a major breakthrough". The 12-month timetable was "a target, not a drop-dead date, meaning that somehow all efforts would cease" if no accord was reached in 1990.

The US defence secretary insisted that Nato's offer to cut its combat aircraft by 15 per cent to a total of 4,600 – in return for similar Soviet reductions – should not affect British or French aircraft with a dual nuclear/conventional role nor the wing of US F-16 fighters due to be moved from Spain to Italy. These were vital to Nato's southern flank.

General John Galvin, the top Nato military commander, briefed ministers on ways of reducing the impact of military exercises in Europe on local residents. As a first step, an exercise planned for this autumn is to be scaled down, with fewer troops in the field and more computer simulation.

Gorbachev unlikely to spring initiative in Bonn

By David Marsh in Bonn

THE Soviet Union yesterday dampened speculation that Mr Mikhail Gorbachev during his trip to West Germany next week will come up with a concrete response to the conventional disarmament proposals unveiled last week by President George Bush.

At the same time, Soviet officials briefing journalists in Bonn said that Moscow planned to cut production of tanks and heavy armaments as part of defence cuts detailed in Moscow this week.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said Nato had yet to make up its mind finally on ideas expounded by Mr Bush for accelerating talks in Vienna on conventional stability in Europe.

Nato would not formulate a position until September, he said. Although Mr Gerasimov did not exclude the possibility that Mr Gorbachev could discuss the matter with the Bonn government next week, he said: "There is no reason for us to give a quick answer."

The West German Foreign Ministry has led the welcome for the proposal to come up with an agreement in Vienna over the next six to 12 months. The Ministry still believes that the Soviet Union is interested in a speedy conventional arms agreement. One Bonn official pointed out that Moscow badly needed to free vehicles such as army lorries from military use in order to turn them to civilian purposes. Soviet officials here in advance of Mr Gorbachev's four-day visit spoke pointedly yesterday of the need to convert military industries in East and West to civilian production.

However, any delays in Vienna are clearly likely to damage the chance of early negotiations on reducing short-range nuclear missiles in Europe, strongly urged by the Bonn government. Under the compromise in Brussels last week, cuts in troops, tanks and other armaments negotiated in Vienna would have to start being implemented before talks on reducing short-range weapons could get under way.

High-level diplomats here believe that the row which split Nato over the short-range question, and which was patched up last week, could therefore emerge again into the open before too long.

One critical question centres on Soviet forces in East Germany. President Bush has suggested that Moscow reduces its forces in eastern Europe to match a proposed US level in western Europe of 275,000 – 20 per cent below present figures.

This would imply cuts of well over half of the 380,000-strong Soviet ground forces stationed in East Germany.

China's debt rating put under review

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the US rating agency, has placed China's long-term debt rating under review for possible downgrading following the violence across the country over the past week.

The rating agency also said it would review the long-term and short-term debt ratings of Hong Kong "because of the close linkages between the events in China and the prospects for economic and political stability in Hong Kong".

Moody's long-term debt rating for China is A3 and a downgrading one notch to BBB would leave its securities just qualifying as investment grade. Hong Kong's long-term debt rating is higher at A2, and its short term debt rating is the highest-rated, Prime-1. About $5.1bn (£3bn) of debt comes into the three categories.

Moody's said that although China's current rating incorporates the possibility of a significant degree of political instability, "the outlook may have deteriorated to the point where an A3 rating no longer remains an appropriate measureof the nation's creditworthiness".

It believed Hong Kong would remain a stronger credit than China.

● The World Bank has postponed consideration of a $60m loan for China from its International Development Association soft loan affiliate. The loan for agricultural projects in Jiangxi was to come before the World Bank board for consideration this week, but was not placed on the agenda pending a more general review.

IMF debt-reduction fund urged

By Peter Riddell, US Editor in Washington

THE International Monetary Fund should set up a special $50bn (£29bn) trust fund to support much larger scale debt reduction than is currently envisaged, according to the report of a study group headed by Dr Johannes Witteveen, the former managing director of the IMF.

The report argues that greater official resources are needed to secure a reduction of $125bn in the $370bn owed to commercial banks by the most heavily indebted middle income countries.

The key recommendation is the establishment of the $50bn trust fund by the IMF along the lines of the oil and supplementary facilities which Dr Witteveen organised in the 1970s at the IMF. The money would be raised from Japan, West Germany, Taiwan and other surplus countries. To date only Japan has promised $4.5bn to assist debt reduction.

The report has been sponsored by the independent World Institute for Development Economics Research and the group also included Mr Raymond Barre, the former French Prime Minister, Professor Robert Solow, the Nobel prize-winning economist, and Professor Jeffrey Sachs, a prominent advocate of substantial debt reduction. No bankers were members.

Dr Witteveen argued that the current efforts of the IMF and the World Bank in implementing the US-inspired Brady plan are on the right lines but "a much more sizeable effort is needed".

He argued that the more sizeable the suggested IMF trust was, "the better the chance that it would succeed in reducing debts".

Under the proposals, the IMF would retain a central role in negotiating programmes with debtor countries and in determining the eligibility of a country for financial support.

US producer prices index sees big rise

By Anthony Harris in Washington

THE US producer price index rose 0.9 per cent in May, its biggest increase since February, due mainly to increases in energy, fresh foods and cars. The index has been rising at an annual rate of 9.4 per cent during 1989, and by 6.2 per cent over the past 12 months.

Dr Michael Boskin, chairman of the Council of Economic Advisers, said the May figure showed inflation was still a cause for concern, but he did not expect energy prices would rise much further in future months.

He still believed the Federal Reserve had acted prudently in its cautious relaxation of monetary policy in the past week and that inflation would stabilise in the second half of the year.

The detailed figures show a number of positive developments: crude goods apart from food and energy rose only moderately, and metals fell, while the index for intermediate products, often a forward indicator for the finished goods index, rose only 0.1 per cent.

However, the price developments in foods and the car market do not appear likely to unwind in the near future. The enormous 26 per cent jump in the price of fresh vegetables is the result of continued drought in the main growing areas on the West Coast; while car prices are likely to rise further as the industry succeeds in clearing excessive inventories.

The April index, which rose only 0.4 per cent, was significantly helped by heavy price cutting in the car trade; but production is now also being trimmed to meet an expected recession in sales, and the inventory overhang has been substantially reduced. Stocks were last reported at 70 days' sales, down from just under 90.

European ban on latest Boeing lifted

By Lynton McLain

THE aviation authorities of France, West Germany, the Netherlands and the UK have certified the latest Boeing jumbo jet, the 747-400 airliner, subject to Boeing modifying the aircraft within two years to meet European safety standards.

The four countries had previously refused to certify the airliner unless Boeing could show how it proposed to meet the European standards. These are different from US standards applied by the Federal Aviation Authority.

Lufthansa, the West German airline, is to start commercial services with its first Boeing 747-400 airliner today.

The airliner will fly initially between Hamburg and Frankfurt, on internal German domestic routes, until the arrival of Lufthansa's second 747-400 airliner in September, when the airline will fly the aircraft non-stop on long distance routes to the Far East.

The airline wil have six of the new airliners in service by December.

The UK Civil Aviation Authority issued a certificate for the Boeing 747-400 yesterday enabling British Airways to take delivery this summer of the first of its 19 aircraft.

The four authorities have required Boeing to strengthen the upper deck to withstand a sudden loss of cabin pressure and to separate electrical cables.

Boeing has undertaken within two years to introduce the necessary changes during manufacture and to produce modification kits for aircraft already delivered.

R-R forms aero-engine financing company

By Michael Donne, Aerospace Correspondent

A NEW company, Rolls-Royce and Partners Finance (RRPF), has been set up to help Rolls-Royce with the financing of its aero-engine and other product sales, especially overseas.

The initial capital of the company will be $200m (£118m), of which Rolls-Royce itself will provide 40 per cent.

The remainder of the capital will be provided by Chrysler Corporation (a subsidiary of the Chrysler Corporation of the US), the Mitsubishi Trust and Banking Corporation of Japan, and National Westminser Bank of the UK, each with 20 per cent.

The company has been set up to take advantage of the increasing demand for financial assistance by airlines and others seeking to buy aero-engine, aircraft and other aviation-related projects.

It has been estimated that between now and the end of the century well over $500bn-worth of new aircraft and engines will be bought by the world's airlines.

This demand is already creating significant opportunities for banks and other financial institutions, which Rolls-Royce and RRPF intend to exploit.

The scope of the new company's activities will not, however, be entirely limited to aerospace products.

It will also cover the products of other companies in the Rolls-Royce group, including its recently acquired subsidiary, Northern Engineering Industries, and its own industrial and marine engine activities.

Sir Ralph Robins, managing director of Rolls-Royce, said at the Paris Air Show yesterday:

"In an increasingly competitive environment, we believe this new company will help us to serve our customers more effectively, and the significant financial commitment of our partners in this venture is a strong indication of their confidence in the future of the aerospace market.

"I am convinced that the ability to offer comprehensive sales financing packages will be the key to commercial success in the 1990s."

Dutch seek to rein in excessive bank lending

By Laura Raun in Amsterdam

WITH an eye to the threat of inflation the Dutch Central Bank hopes to rein in excessive bank lending through a new "cash reserve" penalty.

Mr Wim Duisenberg, president of De Nederlandsche Bank, said yesterday banks would have to pay a 6.25 per cent penalty on 10 per cent of their lending which exceeds a ceiling. The penalty amounts to the interest forgone by banks in holding 10 per cent of their excessive lending in an interest-free "cash reserve" at the Central Bank.

Banks, however, can simply pay the official interest rate on advances – 6.25 per cent – instead of actually holding interest-free cash reserves at De Nederlandsche Bank. The new money creation curb will take effect on July 1 and last until June 1990, with the possibility of raising the 10 per cent to 25 per cent.

Lending is defined as banks' credit to the private sector and lending to public authorities minus their long-term liabilities. The first quarter of 1989 will be the base level for the ceiling, which can rise quarterly by no more than 5 pc on an annual basis.

This is the first time the Netherlands has used a cash reserve instrument to tighten monetary policy although its use is widespread elsewhere in Europe and the US. A cash reserve is considered more flexible and market-oriented than straight credit restrictions used in the past.

"Banks can still exceed the franchise (ceiling) but it will cost money," explained Mr Duisenberg. "That makes it more expensive for the banks and for their customers." The threat of a credit curb has been looming since last year when Mr Duisenberg warned that money supply growth was greatly exceeding acceptable levels. In 1988 the money supply expanded by 14 per cent and that pace accelerated to 24 per cent in the first quarter of 1989, he noted yesterday. The goal is something closer to 5 per cent.

"Inflation is still limited," Mr Duisenberg admitted. "But signals are that it is accelerating, especially in view of underlying economic indicators."

EC plan to help African elephant hailed

By Tim Dickson in Luxembourg

THE European Community's decision late on Thursday night to ban all imports of raw and worked ivory was hailed yesterday as an important step towards saving the African elephant.

But experts said the threat to the animal's survival can only be avoided if wider international action is taken to prohibit the global trade.

The EC accounts for around 20 per cent of the estimated $80m (£47m) of worldwide sales in worked ivory. While a similar ban has been introduced in the US, the fact remains that Japan (the world's biggest consumer) and Hong Kong (site of the biggest ivory workshop), are likely to be deeply reluctant to follow suit.

The next move is likely to come in October at a meeting of the Convention on the International Trade in Endangered Species (CITES), when participating countries will be asked to list the African elephant in Appendix One (thereby committing signatories including Japan to a total ban).

Britain may try to bring pressure on Hong Kong, but its power to force the colonial administration to action is limited. The blanket EC ban is likely to be introduced by a European Commission regulation within the next three weeks – but Britain yesterday joined France in introducing its own unilateral measure.

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OVERSEAS NEWS

No labour of love for Arabs and Israelis

The intifada has led to conflict on the economic front, reports Hugh Carnegy

THE introduction this week of a strict new permit system for the thousands of Palestinians from the Gaza Strip who earn their livelihoods in Israel adds another element to the economic battle that has run parallel to the violent political struggle in the occupied territories.

In the weeks before introducing the new system, the Israeli army sealed off Gaza for days at a time and at one point ordered all Gazans working in Israel back to the area. Security considerations aside, the message of all these measures was clear: Gazans should not expect to go on enjoying the benefits of employment in Israel while an insurrection was going on back at home.

The crackdown was not universally welcomed in Israel, however, as several industries, particularly construction, were suddenly faced with a lack of labour. It raised the question of who comes off worse in the economic conflict.

The answer is clearly the Palestinians, although the Israeli economy has suffered to a significant extent in the short term and, in one important respect, may be sustaining long term damage. The economies of Israel and Gaza and the West Bank became linked after the Israelis took over the territories in the 1967 Six Day War.

Israel tapped the Arabs' lands for cheap labour and looked on them as an expanded domestic market. The prevailing attitude was that tying the territories closely to Israel economically would have the political benefit of making their Palestinian residents less inclined to rebel.

In economic terms at least, the benefits for the previously undeveloped territories were great. GNP in the West Bank grew at an annual average of 16 per cent between 1969 and 1976 and at more than 13 per cent in Gaza. The rate of growth slowed thereafter, but still averaged more than 4 per cent up to 1986. However, this also meant that by the beginning of the intifada in late 1987, 27 per cent of the GNP of Gaza and the West Bank was accounted for by income earned in Israel, according to the Bank of Israel.

It estimates the number of Palestinians travelling to work in Israel at around 110,000. "Their dependence on the Israeli economy is almost total, especially in Gaza, but also to a large extent in the West Bank," says Ephraim Kleiman, professor of economics at Hebrew University. "They are very vulnerable."

Hisham Awartani, an economist at an-Najah University in the West Bank city of Nablus, reckons the combination of intifada strike actions, curfews, reductions in time worked in Israel and the general disruption of the uprising has caused a fall in per capita income in the territories of about 40 per cent.

Attempts to promote local industry to improve self-sufficiency have had some success, especially in dairy products and soft drinks. But Palestinians have had to fall back heavily on savings and traditional family supports.

The Israeli economy has felt the pinch of the uprising, but has been much more able to absorb its effects. The Palestinians never accounted for more than 7 or 8 per cent of Israel's total workforce and high unemployment means the fall in labour input from Gaza and the West Bank, which Prof Kleiman puts at somewhere between 15 and 30 per cent last year, can be offset to quite an extent.

The construction industry still managed to grow in 1988, albeit at reduced levels, despite being hard hit by the squeeze on its cheap labour pool.

Overall, the Bank of Israel calculates the intifada had a negative effect of 1.5 per cent on business output last year. The most serious decline was in the sensitive tourist industry. There was a near 15 per cent decline in the number of visitors to Israel in 1988, although there are signs of a revival this year.

Government and academic economists see the most worrying signs of damage in the unquantifiable realm of the uncertainty and lack of confidence that the intifada engenders in the economy. They are afraid that recent sharp declines in investment reflect worries about the political situation that only an end to the uprising could overcome.

But any Israeli hopes that that might be achieved by economic pressure are well wide of the mark, according to Hisham Awartani. "That is self-defeating," he says. "People will only become more bitter, more angry and more determined."

A Palestinian worker in the Gaza Strip holds up his new computer-coded identity card. Arab workers can no longer enter Israel without the cards

Peace hopes rise in semi-conductor trade dispute

By Louise Kehoe in San Francisco

US and Japanese electronics industry executives concluded "very constructive" discussions on the issue of US-Japanese semi-conductor trade in Tokyo yesterday, with representatives of industry groups from both countries optimistic that the long-running dispute can be resolved.

Conducted in the shadow of the US government's recent "Super 301" trade action, which named Japan as an unfair trading partner, the talks may signal a changing tide in US-Japanese high technology trade relations.

US officials said better communications between the two countries' industries over the past year had helped make the talks more constructive.

They also noted however that political changes in both countries – the new US Administration and the new leadership in Japan – had changed the environment for discussions since they last visited Tokyo a year ago.

The industry meetings focused on the status of the 1986 US-Japanese semi-conductor trade agreement. Although the US industry group continued to maintain that progress toward increased foreign participation in the Japanese semi-conductor market falls short of that expected under the terms of the bilateral pact, the tone of the meetings was significantly more cordial than in the past.

A year ago, a similar meeting in Tokyo ended in disarray when the US industry group claimed that the Japanese industry was refusing to acknowledge that progress towards an open Japanese market could be measured only in terms of increased foreign market share.

Despite the fact that the US share of the Japanese semi-conductor market has risen by only a fraction of a per cent over the past year, the US industry group was encouraged at this week's Tokyo meetings by a Japanese initiative to encourage US chip-makers to participate in the emerging Japanese market for high definition television.

"We want the co-operation of foreign suppliers in developing semiconductor products for this new market," said Toori Sato, executive managing director of Hitachi, and chairman of the users committee of foreign semi-conductors of the Electronics Industry Association of Japan.

The Japanese industry initiative addresses two major US electronics trade concerns. The first is that US semi-conductor producers must be allowed access to the Japanese consumer electronics market, which consumed about half of the $18bn of semi-conductor devices sold last year in Japan.

The second, related issue, is growing US government and industry concern that high definition television will become a huge new segment of the consumer electronics market in which US industry plays a minimal role.

In other developments at the Tokyo meetings, the industry groups agreed to establish a new consumer electronics task force aimed at promoting sales of foreign chips in Japan.

In recent years US semi-conductor manufacturers have eschewed the consumer electronics market, having been badly burnt by their experiences in consumer "fad" markets of the 1970s and early 1980s such as calculators, digital watches and video games.

Recently, however, the dearth of US semiconductor products suitable for use in consumer electronics products has become the focus of Japanese efforts to explain the difficulties of increasing semiconductor imports.

The US and Japanese industry groups also agreed to address the issue of US semiconductor industry access to the Japanese automotive electronics market sector, another important target of US industry attention.

"The expansion of Japanese industry efforts to increase semi-conductor imports and to collaborate with the US semiconductor industry are very important, especially during this period of heightened trade tensions between Japan and the US" the US semi-conductor industry group said.

Kiss-and-tell geisha girl adds to ruling party woes

By Ian Rodger in Tokyo

ALLEGATIONS of a brief liaison four years ago between an ersatz geisha and Japan's new prime minister, Mr Sousuke Uno, are adding to the woes of the scandal-rocked Liberal Democratic Party (LDP).

Party officials fear that the revelations in a Japanese newspaper this week under the title, "You Bought My Body for Y300,000 (£1,333) a month" will alienate women voters in important parliamentary elections next month. Mr Uno's aides have denied the story, but the prime minister himself, when asked about it in the Diet (parliament) yesterday by an indignant woman representative, would only say, "no comment."

This being Japan, the idea that Mr Uno may have had a relationship with a geisha is of no particular interest. It is commonplace for prosperous men of Mr Uno's generation to have mistresses and this is accepted as normal. However, LDP officials worry that the seediness of it all could be costly.

For one thing, the woman was not a real geisha. By tradition, girls begin training to be geishas in their teens and spend several years learning refined manners and skills in such Japanese fine arts as dance, musical instruments, flower arranging and the tea ceremony to enable them to soothe their important male clients and complement them socially. The woman in this case, who did not reveal her identity, apparently set herself up as a geisha when she was 40 after divorcing her husband and quit only six months later.

Prime Minister Sousuke Uno: 'brief liaison'

According to legend, men seek geishas mainly for their stimulating companionship; sex is often not part of the arrangement. In this case, there seems to have been little else. Moreover, it is unheard of for real geishas to kiss and tell. One official remarked yesterday that the incident reflected the gradual decline of the geisha tradition, which has become beyond the means or the timetable of the average harried senior Japanese executive today.

Whatever the truth of the incident, it could hardly have surfaced at a more unfortunate time for the LDP. Because of the damage done to its popularity by the Recruit bribery scandal, the party is already in great danger of losing its majority in the upper house where elections to fill half the seats are due next month. Party officials have been hunting frantically for ways to improve their standing among various classes of voters.

This week, for example, they have decided to bring forward the annual fixing of the rice price subsidy from August to July. In recent years, the government's policy has been to cut the subsidy gradually, causing immense dissatisfaction among farmers. However, next month the Government is expected to announce that the subsidy will be frozen in the hope that this will win votes in the agricultural community.

Party leaders selected Mr Uno last week to be prime minister hoping that his lack of involvement in the Recruit affair would help improve the LDP's corruption-tainted image. However, the allegations by the crypto-geisha are not helpful.

She described him as being vain and self-important when with her alone but fawning in the presence of senior party leaders and timid when with his wife. "He is not a man of noble character," she is quoted as having said.

It remains to be seen if these allegations cause any more damage to the party. Mr Takayoshi Miyagawa, president of the Centre of Political Public Relations, an LDP-associated political study centre, was sceptical. "Even before this disclosure, Uno was not liked by women. They dislike his type; he talks too much," Mr Miyagawa said.

Alternative to CFCs developed

By Michiyo Nakamoto

MITSUBISHI Electric and Taiyo Sanso of Japan have jointly developed a semi-conductor washing device free of chlorofluorocarbons (CFCs), the gases thought to deplete the earth's ozone layer.

The device involves a process called "ice cleaning" which uses fine particles of ice and frozen alcohol at temperatures below minus 50 degrees centigrade to blow dust off semi-conductors without harming them. By using particles as small as 0.1 micron it can remove dust of submicron levels and grease and oil from semiconductors and printed circuit boards. Results are comparable to CFCs, the companies claim.

International pressure to reduce and eventually abolish CFC use has triggered a rush among Japanese companies to develop substitutes, particularly for the semi-conductor manufacturing cleaning process. This accounts for much of the CFC use in Japan and no effective substitute is available.

In addition to cleaning semi-conductors, "ice cleaning" has a wide range of applications, such as in dishwashers or in cleaning pipes, by adjusting the blowing pressure and angle or changing the particle size and hardness.

Mitsubishi Electric, Japan's third-largest electric machinery maker and itself a large consumer of CFCs, and Taiyo Sanso, a major industrial gas producer, plan to launch the new device next spring.

Manufacturers' optimism reaches record level

By Ian Rodger

JAPANESE manufacturers' confidence rose to the highest level ever in mid May, according to a widely regarded quarterly survey conducted by the Bank of Japan.

The central bank's Short-term Economic Survey of Enterprises in Japan was carried out before the recent hike in its discount rate by 0.75 per cent to 3.25 per cent, however, bank officials said the report was so bullish there were no grounds for concern about a slowdown. The survey covered 7,535 companies, including 648 large corporations.

The business condition index – calculated by subtracting the percentage of manufacturers judging that the outlook is unfavourable from the percentage who consider it favourable – reached a record 55 per cent – continuing a powerful advance since last August (39 per cent) through November (48 per cent) and February (52 per cent).

Japanese manufacturers forecast that their sales would grow 2.2 per cent in the first half of the current fiscal year to March 1990 and 1.5 per cent in the second half. Both figures were revised upward from the February survey. The favourable sales growth was attributed to increasing long-term capital expenditures by corporations and buoyant consumer spending, a BOJ official said.

Non-manufacturers forecast that their sales would grow 2.7 per cent in the first half of the year and 2.3 per cent in the second half, mainly because of an active property sector.

The quarterly survey showed that more businessmen expect merchandise demand will exceed supply than those who think supply will be adequate for the first time in about 15 years. Also, a majority of companies suspected that their buying prices would rise in the near future, reflecting higher crude oil prices and the yen's recent depreciation.

The BOJ report estimated that the pre-tax profits of major companies will rise 1.1 per cent in the six months to September, compared with the previous half year and 1.4 per cent in the six months to March 1990.

Plant and equipment investment planned by major enterprises in the current fiscal year to March 31 1990 was 17.6 per cent higher than the amount actually spent last year. In the year earlier report, investment plans indicated an 18.6 per cent increase, but the out-turn was a 28 per cent rise. However, medium and smaller companies' capital spending would probably drop 12.2 per cent from a year earlier after a sharp expansion last year.

An industry-by-industry analysis of smaller businesses showed that the optimism rose sharply in the past three months in two sectors: wood products and textiles. The BOJ attributed this to a rise in prices following a drop in imports and the yen's weakness against the dollar.

Despite these indications of the economy's strength, the BOJ does not see it overheating. The economy is growing in volume, not from price increases, bank believes.

UK NEWS

Plessey division buy-out attempt 'almost certain'

By Terry Dodsworth, Industrial Editor

PLESSEY'S semi-conductor division is almost certain to attempt a management buy-out if the UK electronics group is acquired as the result of a renewed takeover bid by General Electric Company and Siemens of West Germany.

The possibility of a buy-out was reinforced yesterday when Mr Jürgen Knorr, head of Siemens' semi-conductor division, indicated that the West German group would not necessarily oppose it. Asked what Siemens' reaction to a Plessey semi-conductors buy-out proposal would be, Mr Knorr said: "If they would like to do it, they should do it. Our first priority is telecommunications."

Mr Knorr, who was speaking at a conference given by the Dataquest market research group in Munich, has in the past pointed to the advantages of co-operation between the Siemens semi-conductor division and Plessey.

GEC, however, is privately less enthusiastic about supporting and running the Plessey semi-conductor business – an attitude that has partly led to the management buyout proposal.

Mr Doug Dunn, managing director of Plessey Semi-conductors, also in Munich yesterday, made clear that the buy-out option would only be raised if Plessey lost its battle for independence. "Plessey does not want to do anything in this direction yet, and nothing I have done on my own initiative goes against the Plessey group. I have largely been at the end of telephone calls from financial organisations."

Nevertheless, Mr Dunn took a further step yesterday towards clearing the decks for a buy-out with an agreement to sell a small unit of his semi-conductor division that does not fit into the main activity of high-technology integrated circuits. This business, based at Oldham in Lancashire, has sales of £10m and is being purchased by a management team for an undisclosed sum.

Given a successful offer for Plessey by the Anglo-German consortium, Mr Dunn is likely to feel that the time to make an effective buy-out offer for the semi-conductor division would be immediately after the acquisition.

Last year, Plessey semi-conductors had sales of £130m. Operating profits amounted to about $20m (£13m), implying about £80m for the buy-out.

Lloyds to scrap 15 regional head offices

By David Barchard

LLOYDS BANK, the smallest of the big four clearers, is to shed its 15 regional head offices in a shake-up of UK retail banking operations.

About 750 people are employed in the regional offices, but Lloyds said no redundancies were planned and staff at the offices would be reallocated to new positions.

Mr David Pirrie, the recently appointed director of Lloyds responsible for retail banking in the UK, said yesterday that the reorganisation would provide shorter and clearer lines of communication and make the bank more responsive to customers' needs.

Lloyds says it does not, however, intend to copy Midland Bank, which recently announced plans to reduce staff numbers at each branch, while carrying out processing operations centrally. "We are not going down the factory banking route," Lloyds said.

Some functions at present carried out by Lloyds Head Office will be transferred to eight regional executive offices, which will provide sales and logistical support to branches.

However, most planning and budget decisions affecting branches will be taken by 90 area directors.

The managerial changes will be accompanied by a £450m programme to refurbish Lloyds' 2,400 branches, with 500 branches being modernised over the next two years.

Outlook gloomy as Ulster growth continues to lag

By our Belfast Correspondent

GROWTH in the Northern Ireland economy continues to lag behind the rest of the UK, according to a report published yesterday.

While last year was probably the best for Ulster's economy since the 1970s, the rate of improvement for almost every economic indicator was below the national average.

In its annual assessment of Ulster's economy, the Northern Ireland Economic Council expects a less buoyant performance in the year ahead.

The slowdown expected as a result of tighter UK monetary policy will present the province with great difficulties, the report says.

It also emphasises the vulnerability of the Northern Ireland economy during a downturn in the level of activity and the need for concerted efforts by the Government and the private sector to consolidate gains already made.

The economic council urges the Government to struggle to maximise Northern Ireland's share of the enhanced structural funds available from the European Community.

Prof Colin Campbell, the council chairman, said: "There are clear signs that growth in the national economy is slowing, and this will make it difficult to sustain the momentum of the recovery which has only recently emerged in Northern Ireland." He added: "The fortunes of our economy are closely tied to the progress of economic development in the UK and Europe."

- Sperrin Textiles, a Co Antrim leisurewear company, yesterday announced its closure with the loss of 150 jobs.

Hinkley QC to visit Chernobyl

By David Green

MR MICHAEL BARNES, QC, the inspector conducting the Hinkley Point C nuclear power station inquiry, is to visit Chernobyl, scene of the world's worst power station accident.

The decision by Mr Barnes to make the five-day visit, starting on July 10, follows the large amount of evidence, some of it conflicting, he has received about the accident.

Opponents of the £1.47bn Hinkley Point C station say the accident showed that nuclear power is too dangerous, in spite of the difference in reactor design and safety regulations used by the Soviet and British nuclear industries.

Commercial vehicle sales rise 11% but imports feed demand

By Kevin Done, Motor Industry Correspondent

COMMERCIAL vehicle sales jumped by 11.31 per cent in May to 33,393 compared with 29,101 a year ago, according to figures from the Society of Motor Manufacturers and Traders.

Demand for commercial vehicles has continued to grow strongly in all the main segments of the market including trucks, light and medium vans and buses.

Commercial vehicle registrations in the first five months were 14.2 per cent higher than a year ago at 166,962 and sales for the full year are expected to reach a record level for the third successive year.

Importers' share of the UK commercial vehicles market was significantly higher in May at 41.79 per cent compared with 38.22 per cent a year ago, but for the first five months it was still virtually unchanged at 40.45 per cent.

Competition for leadership of the UK truck market is intensifying as DAF of the Netherlands closes the gap behind Iveco Ford, the market leader.

Both companies are coming under heavy pressure from the main importers Mercedes-Benz of West Germany and Scania and Volvo of Sweden, as well as from the two UK-based heavy truck makers ERF and Foden.

Scania has increased its sales volume by 42 per cent in the first five months of the year, while Volvo, which also assembles trucks in the UK, has raised its sales by 28 per cent. Both companies' sales were depressed in the early months of last year by a white-collar workers' strike in Sweden which stopped production for several weeks.

Leyland DAF, DAF's UK subsidiary, led the UK truck market in both April and May. In the first five months it has increased its sales by 10 per cent, compared with a gain of only 2 per cent by Iveco Ford, although both companies have been outpaced by the 14.6 per cent jump in the overall UK truck market.

In the first five months, Leyland DAF captured 21.4 per cent of the market only narrowly behind the 21.8 per cent of Iveco Ford, whereas a year ago Iveco Ford held a clear lead with 24.4 per cent compared with Leyland DAF's 22.3 per cent.

ERF, the only independent publicly quoted UK truck maker, is making increasing inroads into the UK heavy truck market and raised its share of the segment in the first five months to 10.7 per cent from 9.8 per cent a year ago with a 28 per cent increase in new registrations to 1,927.

Foden, the specialist heavy truck maker, increased its sales by 52 per cent in the first five months to 890.

At the same time AWD, the privately owned truck maker which took over the former Bedford operation in Dunstable at the end of 1987, captured 1.7 per cent of UK truck sales in the first five months after its return to the civilian market late last year.

Sales in the UK van market are being dominated by Ford, which has recovered sharply from the impact of a two-week strike in February last year. Ford has increased its sales of Transit medium vans by 34 per cent this year and now controls 48 per cent of the market, while Ford small van and pick-up sales jumped by 37 per cent to hold a third of the market.

Only Renault of France has kept pace in the medium van market with a 30 per cent increase in sales to capture 8.6 per cent of the market.

UK COMMERCIAL VEHICLE REGISTRATIONS JAN-MAY 1989

	Volume (Units)	Volume Change (%)	Share (%) Jan-May 89	Share (%) Jan-May 88
Total Market*	166,962	+14.20	100.00	100.00
Imports	67,536	+14.94	40.45	40.19
Small vans (up to 1.8 tonnes)				
Total	53,296	+13.37	100.00	100.00
Imports	15,227	+13.38	29.12	29.11
Ford	17,076	+36.93	32.65	27.04
GM (Bedford)	14,246	+4.50	27.24	29.55
Rover Group	8,637	+9.29	16.51	17.13
Peugeot (incl. Citroen)	4,006	+0.28	7.66	8.66
Renault	2,712	+2.96	5.19	5.71
Medium Vans (1.81–3.5 tonnes)				
Total	72,813	+15.49	100.00	100.00
Imports	33,856	+18.92	46.50	45.16
Ford	34,792	+33.75	48.03	41.47
DAF (Leyland DAF)	7,176	−3.00	9.86	11.74
Renault	6,235	+29.87	8.56	7.61
Mercedes-Benz	3,997	+7.27	5.49	5.91
Nissan	3,990	−12.77	5.48	7.25
Peugeot (incl. Citroen & Talbot)	3,907	−0.96	5.37	6.26
GM (Bedford)	3,765	+4.01	5.17	5.74
Trucks (over 3.5 tonnes)				
Total	31,978	+14.81	100.00	100.00
Imports	13,416	+17.93	41.96	40.78
Iveco Ford	6,975	+2.35	21.81	24.43
DAF (Leyland DAF)	6,849	+10.04	21.42	22.31
Mercedes-Benz	4,836	+16.53	15.12	14.88
Volvo	3,603	+22.84	11.27	10.61
Renault (RTI)	1,916	+0.52	5.99	6.83
Of which Heavy Trucks (over 15 tonnes)				
Total	17,935	+18.76	100.00	100.00
DAF (Leyland DAF)	3,896	+6.45	21.72	23.83
Volvo	3,338	+25.91	18.61	17.26
Mercedes-Benz	1,937	+5.79	10.80	11.92
ERF	1,927	+28.13	10.74	9.79
Scania	1,807	+42.28	10.08	8.27
Iveco Ford	1,666	+7.90	9.29	10.05

*Includes buses and light four wheel drive utility vehicles

Source: Society of Motor Manufacturers and Traders and Industry estimates.

UK NEWS

Stock Exchange may face US 24-hour trading

By Richard Waters

LONDON'S Stock Exchange might face round-the-clock competition from across the Atlantic by early next year, although the competition would be restricted initially to only a handful of stocks.

The National Association of Securities Dealers, which runs New York's over-the-counter market, yesterday confirmed reports in the US that it plans to start trading at 4am New York time. That would allow it to trade throughout the London day.

The development appears to mark a challenge to the Exchange's dominance of the European time zone for dealing in international equities. It also comes at a time when the Exchange has suffered damaging disagreements over its dealing rules and the development of its clearing and settlements systems, suggesting that there might be room for a rival.

However, the NASD claimed that its intentions were friendly, and that it wanted to co-operate with the Exchange rather than take it on on its home ground.

The Exchange, which already co-operates with the NASD by carrying the prices of about 350 of its shares on its own quotations system (Seaq), refused to comment on the development. However, London securities firms accepted that competition between the two markets might follow.

"If it leads to competition in the market, so be it," said Mr Charles Hue Williams, a director of Kleinwort Benson. "But I don't think it would take business away from Seaq."

There is currently little overlap between the two markets. Only 71 of the 5,500 stocks quoted on the NASD's quotations system, Nasdaq, are also quoted on Seaq.

Competition is likely to focus *on just seven securities that* are carried on both systems. These are the ADRs (American *Depository Receipts) of a hand*ful of UK companies which are widely traded in the US – Beecham, Cadbury Schweppes, English China Clays, Fisons, Jaguar, Reuters and Saatchi & Saatchi.

ADRs are securities which are traded in the US in place of the underlying shares in the overseas companies concerned.

The London Exchange began carrying ADR prices on Seaq two years ago. An observer in the London market said yesterday: "The idea was not to go and pinch business from their [the NASD's] market, but to let people in this time zone trade in those shares. The whole point was so people wouldn't have to get up and make international phone calls at 4 o'clock in the morning."

The NASD's move, however, suggests that it wants to follow business around the world and through different time zones.

The competition to London will come in two forms. Firstly, firms based in London may decide to use Nasdaq rather than Seaq when dealing. They are already able to do that, but only for the two and a half hours a day that the two markets overlap.

The NASD's claim to offer a more efficient settlement service, which is hotly denied by the Exchange, could make the difference. Also, some firms, particularly US ones, angered by new dealing rules in London, may choose to use Nasdaq as a protest.

The second source of competition will come if US firms choose to stay in New York, and get up at 4am to trade, rather than face the costs of coming to London.

Also, some firms already established in London may move all their Nasdaq trading back to New York, rather than divide it between the two centres.

The NASD said yesterday that it was still canvassing its 20 members in London to find *out what services they want. It* also said that it would not be ready to seek the necessary *permission from the Securities* and Exchange Commission for another two or three months.

Crédit Lyonnais to sell CL Astaire

By George Graham in Paris

CREDIT LYONNAIS, the French state-owned bank, has agreed to sell CL Astaire Co, its London private client stockbroking business, to London Investment Trust Holdings for an undisclosed sum.

The French bank will at the same time restructure its London securities businesses, built around the Alexanders Laing and Cruickshank group which it bought in 1987 for £75m.

ALC cost Crédit Lyonnais FFr 298m (£28.25m) in operating losses last year and a further FFr 305m in exceptional restructuring costs and the write-off of goodwill, but had still not returned to break-even in the first three months of the year.

Crédit Lyonnais said yesterday that it would regroup the *ALC activities into four divi*sions under a new holding company, to be named Crédit Lyonnais Capital Markets:

● Crédit Lyonnais Rouse will deal in foreign exchange, futures and commodities.

● Alexanders Discount will take part in the money markets.

● Laing and Cruickshank Investment Management will regroup the fund management activities.

● Crédit Lyonnais Securities will handle bond and equity market operations. Mr Ian Hay Davison, ALC chairman, said the changes did not involve any redundancies.

No price was disclosed for the sale of Astaire, but Crédit Lyonnais officials indicated that the bank had paid less than the market rate when it had bought Astaire in January 1987 and would receive more than the market rate for the sale. The market rate, however, has suffered in the mean*time from the effects of the* October 1987 equity market crash.

● James Capel, the stockbroking firm owned by the Hongkong and Shanghai Bank, is reviewing its operations and may make some lay-offs, the bank said. However it stressed the bank's commitment to maintaining Capel's presence in all its major markets.

Seven-day operation starts in Telegraph change-over

By Raymond Snoddy

THE Daily Telegraph moves to seven-days-a-week operation tomorrow with Mr Max Hastings taking over formally as editor of The Sunday Telegraph as well as the daily title.

The changeover will be marked by the relaunch of The Sunday Telegraph's supplement, 7-Days, which will contain an extensive television *information service.*

Mr Peregrine Worsthorne, until now editor of The Sunday *Telegraph, will from this week* be editor of the four-page review and opinion section of the paper.

Mr Hastings said yesterday: "We are lucky in The Daily Telegraph to have very large editorial resources. What we want to do is to try to use them in such a way that The Sunday Telegraph gets the maximum benefit from them."

In the six months to April 1989, The Daily Telegraph had average sales of 1.12m while over the same period The Sunday Telegraph had just over half that at 664,177.

Mr Hastings said the move towards seven-day publishing was being handled in a pragmatic way.

The Sunday Telegraph will have a separate City editor, Mr John Jay, and has just appointed Ms Julia Langdon from the Daily Mirror as its political editor.

Other areas will be much *more integrated.*

The aim is give the Telegraph colour magazine, now distributed with The Daily Telegraph on Saturdays, a country living feel to it and to make 7-Days more metropolitan.

In March, the company announced the largest pre-tax profit in its history – £29.1m *for the year to December, com*pared with £590,000 in 1987.

Some analysts believed profits this year might top £40m.

Opposition to Palumbo hinges on legal fight

By Paul Cheeseright, Property Correspondent

THE FINAL STAND for the opponents of Mr Peter Palumbo's plan for a new office building in the historic centre of the City of London is likely to be fought on the shifting sands of planning law.

Mr Nicholas Ridley, the Environment Secretary, set off two processes on Thursday when he gave permission for Mr Palumbo to construct a new building designed by James Stirling and to pull down eight listed and five other Victorian buildings near Mansion House, part of the City's conservation area.

First, he revived the debate which has been going on for as long as most people can remember about Mr Palumbo's plans for his core site called Number One Poultry. Second, he set the lawyers looking to see whether Mr Ridley had breached planning law.

The debate itself is still intense, but the terms are jaded. Those opposed to the demolition of listed buildings are still opposed. Others who think a new building at Number One Poultry would benefit the City have not changed their minds either.

The Victorian Society yesterday could not understand how *demolition of the Victorian* buildings could be sanctioned. On the other hand, Lord St John of Fawsley, chairman of the Royal Fine Art Commission, was very pleased with Mr Ridley's decision, although he does not think the designs are Stirling's best. Those positions are exactly consistent with the ones the Society and the Commission took before the Ridley decision.

Likewise, English Heritage, the state agency, SAVE Britain's Heritage, the pressure group, and the Corporation of London have also held to the positions they adopted before the 1988 public inquiry.

However, it is those three bodies that have the lawyers running over the fine print of *Mr Ridley's decision to allow* the new building. There are two main points of reference.

First is the Government's own planning circular to local planning authorities about the treatment of listed buildings. The second is the City of London's local plan, which sets out policies to be followed within the Square Mile.

The issue that lawyers are examining is whether the quality of a replacement building can be used as a criterion for deciding whether listed buildings should be demolished. If they decide not, they are likely to pursue the argument into the High Court.

Mr Brian Bagot, the inspector whose report on the 1988 public inquiry formed the basis of Mr Ridley's decision, used the argument that the Stirling building "might just *be a masterpiece" to justify* demolishing listed buildings.

Planning specialists saw *that as a new departure in the* writing of planning-inquiry reports. Mr Bagot's report read like an architectural thesis. Most inquiry reports are more concerned with mundane matters, such as traffic flows and building bulk.

Yet mounting his argument at the aesthetic level was inevitable for Mr Bagot after the outcome of an earlier inquiry, which had reached the conclusion that Mr Palumbo's plans of that time were not acceptable, although something else might be.

Hong Kong highlights migration muddles

Alan Pike and Richard Donkin trace the uneven history of British entry policies

THE PLIGHT of 3.25m people in Hong Kong eligible to take out British National Overseas Passports but denied the right to live in the UK is amplified by the irony of up to 130,000 people in the nearby territory of Macao who should obtain that right in two years' time.

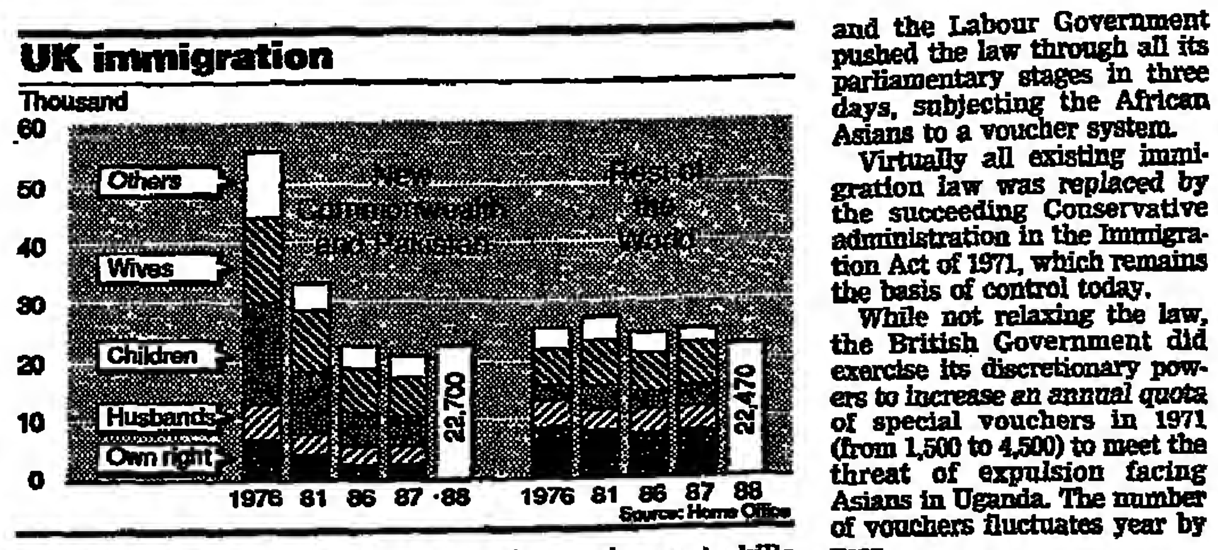
The 1981 Nationality Act removed the automatic right of Hong Kong citizens with British passports to live in the UK. The Macao residents have Portuguese passports that carry full rights of abode in Portugal and will, like other EC nationals, be eligible to work and settle in Britain after 1992 under the Treaty of Rome.

As citizens of a British dependent territory, Hong Kong residents will not enjoy that right – unless they have £150,000 in ready cash – when the colony reverts to China in 1997. Two years later, Macao will also pass under Chinese sovereignty.

The contradiction illustrates the perversities of immigration controls, which have surfaced many times this century as British governments have sought to restrict entry into the country.

The machinery of British immigration control was first established in 1905 with the passing of the Aliens Act, the result of a long campaign against the influx of Jews, driven out of eastern Europe by the pogroms of the late 19th century.

However, not until the Commonwealth Immigrants Act of 1962 did Britain seek to close the doors on residents of the British Commonwealth. Free entry was a direct result of policies to encourage immigrants



to work in the reconstruction of the UK's war-shattered economy.

Severe Labour shortages led to Britain recruiting first from Europe – more than 100,000 Poles were allowed to stay in Britain between 1945 and 1947 – and then from the Commonwealth.

The first Commonwealth wave in the early 1950s came from the Caribbean, often encouraged by newspaper advertisements placed by state employers, such as London Transport and the National Health Service.

By the early 1960s, the scale of immigration became increasingly apparent.

Race riots had broken out in London's Notting Hill in 1958 and in October of that year Lord Home – then the Commonwealth Minister – warned that curbs would have to be introduced on immigration.

Four years later, the 1962 Act introduced immigration control for all British subjects except those born in the UK or those who held British passports. An employment skills grading system was introduced which had an immediate effect on immigration from the new Commonwealth countries.

For example, from January to June 1962, Britain accepted 25,080 Pakistan immigrants. In the six months after the Act came into effect on July 1, there was a net loss of 137 immigrants from Pakistan.

The skill categories were tightened further in the mid 1960s, but immigration remained a potent political issue throughout the decade, culminating in Mr Enoch Powell's "rivers of blood" speech in 1968.

Restrictions spread further with the introduction in 1968 of the Commonwealth Immigrants Act to close an immigration "loophole".

Before that Act, members of the former colonies of Uganda and Kenya who had retained their British passports were free from restrictions. But agitation in those countries was leading African Asians in particular to leave for Britain and the Labour Government pushed the law through all its parliamentary stages in three days, subjecting the African Asians to a voucher system.

Virtually all existing immigration law was replaced by the succeeding Conservative administration in the Immigration Act of 1971, which remains the basis of control today.

While not relaxing the law, the British Government did exercise its discretionary powers to increase an annual quota of special vouchers in 1971 (from 1,500 to 4,500) to meet the threat of expulsion facing Asians in Uganda. The number of vouchers fluctuates year by year.

The decade since Mrs Thatcher came to power has been marked by a continuation of the progressive tightening of immigration controls introduced in the 1960s.

References to the need for firmer policies on immigration were prominent in speeches of Conservative politicians in the run-up to Mrs Thatcher's 1979 election victory and in 1981 the British Nationality Act – which took effect in 1983 – introduced a new concept of British citizenship.

The former, single citizenship of the UK and colonies was replaced by three new categories depending upon an individual's closeness to Britain, with most Commonwealth citizens acquiring the status British Overseas Citizen, the content of the 1981 Act was similar to a green paper published by the previous Labour administration in 1977.

Last year, another Immigration Act came into force. Among other things, this has changed the appeal process for people facing deportation.

Two popular misconceptions about postwar immigration to Britain remain. Firstly, that the majority of newcomers were black; and secondly that their arrival led to a large increase in the total population.

The last census, in 1981, showed that around 3.4m people living in Britain had been born overseas. More than half of these – 1.89m – were white.

More people entered Britain than left it between 1983 and 1987, but traditionally the trend has been the reverse. Between 1971 and 1983 there was a 465,000 net loss of population.

In 1986, a formal investigation by the statutory Commission for Racial Equality concluded that Britain's immigration controls operated to the disadvantage of poor people coming from the New Commonwealth and Pakistan. The CRE report was published only after an 18-month delay in which the Home Office made an unsuccessful High Court attempt to have the investigation declared outside the commission's powers.

It is sometimes argued that strict immigration policies militate against good community relations policies within Britain.

There is ample evidence that, while the high level of immigration from the New Commonwealth in the 1960s and 1970s is over, many problems that Britain faces in becoming a genuine multiracial society have still to be tackled.

Pearl restricts drink-drive claim terms

By Eric Short

MOTORISTS insured with Pearl Assurance Company will not have any claims paid if they are convicted of a drink-drive offence, other than the minimum liability required under the Road Traffic Act.

Indeed, the company may even try to recover from the motorist at least some of the cost of meeting the legal requirement.

That is the central feature of Pearl's new motor insurance contract, *DriveWise, which* comes into operation from the beginning of next month. Its *provisions will apply to all* existing policyholders when they renew their insurance with the company.

Pearl Assurance is one of the smaller motor insurers in the UK market with about 140,000 policies in its portfolio, of which about 100,000 are private car contracts. It markets primarily through its own agency force.

Mr Michael Freeman, Pearl's motor manager, emphasised that the move was not a launch of a total abstainer's policy. However, he felt that it was time for insurance companies to take the lead in tightening up on indemnifying motorists who drive while over the legal alcohol limit or under the influence of drugs.

He pointed out that motor contracts include a clause requiring motorists to keep vehicles in a roadworthy condition and that claims can be repudiated if the vehicle involved was not fit to be on the road. Pearl was now extending that principle to the driver when unfit to be on the road.

Motorists with good records should not have to pay for the criminal acts of motorists driving over the limit. He estimated that the savings in claim payments would result in premium reductions of up to 15 per cent. Pearl would be making these premium reduc*tions immediately and not wait* for the benefits to come through in the accounts.

This move by Pearl represents a hardening of the attitude insurers already have towards motorists convicted of a drink-drive offence.

The claim arising at the time is settled. But when the motorist seeks to renew his insurance, then usually he can only obtain limited cover at a high premium.

The move was welcomed by Mr Peter Bottomley, Minister for Roads and Traffic, on the eve of the Government's summer anti-drink-drive campaign. He urged other insurers to take the same stand.

While most other insurance companies stated that they *were reviewing the situation,* Norwich Union Fire Insurance, Britain's largest motor insurer, *indicated that it would not be* following the Pearl's lead. The company said it was up to the Government to specify penalties against drink/drivers through the legislative system.

Construction at £10.9bn record in first quarter

By Andrew Taylor, Construction Correspondent

THE VALUE of UK construction output during the first three months of this year was £10.9bn, which was a record, even after allowing for the effects of inflation on prices, Mr David Trippier, construction minister, said yesterday.

The value of works expressed in constant 1985 prices was £8.7bn, which was 3 per cent higher than the previous three months and 4 per *cent higher than the first quar*ter of last year.

Mr Trippier said that work *for private-sector clients* accounted for almost two thirds of construction output in the first quarter of this year.

Private commercial work was 29 per cent higher than in the same period last year and 9 per cent higher than the final quarter of last year.

Private industrial work in the first quarter was 20 per cent up on the same period last year and 3 per cent higher than the final quarter last year.

Private housing output, however, was 16 per cent lower than the first three months of *last year and 1 per cent lower* than the last quarter of 1988.

● Mr Trippier yesterday gave *the go-ahead for a further* £1.5m of city grants for inner-city schemes in Bolton, Hartlepool, South Shields, Stockton and Birmingham.

Clarke threatens doctors over new NHS contract

By Tom Lynch

THE GOVERNMENT has threatened to withdraw some of the concessions it made in negotiating the new contract for National Health Service general practitioners if the British Medical Association throws out the deal.

Mr Kenneth Clarke, the Health Secretary, yesterday stepped up the pressure on GPs, *ahead of their conference* on June 21 at which they will decide whether to endorse the *agreement reached last month* between the Department of Health and the BMA.

In a Commons written reply, Mr Clarke repeated his warning that he might impose the contract if the doctors rejected it and reminded GPs that last month's agreement between the BMA and the Health Department was a package which "involved a great deal of compromise by both parties."

If the package was rejected, he "would have to re-examine the various elements of the agreement."

The Government's main concessions were higher allow*ances and looser targets on* extra payments for preventive treatment.

Mr Clarke said: "It is for the profession to decide whether or not to endorse the agreement reached by their negotiators. If they do not, I would feel bound to ensure that the Government's objectives were still achieved."

Tories get braced for worse before better

Michael Cassell finds a party growing jittery over Labour success in the polls

THE government, which tomorrow celebrates the second anniversary of its second re-election, yesterday launched a Cabinet-level counter-offensive against Labour in the face of fresh evidence that the Tories' popularity is declining.

It is a time for nerves of steel within the Tory Party, unused to being the underdog and again having to consider the potential implications of what appears increasingly like a *return to two-party politics.*

Yesterday's Cabinet onslaught involved a co-ordinated attack on a Labour Party which, until recently, was not considered worthy of ministerial exertion but which has become the priority target.

A phalanx of ministers, made uncomfortably aware of Labour's progress after the *publication of a Gallup poll* putting it 7 percentage points ahead of the Tories, yesterday spoke of their opponents' phoney conversion from old-style socialism.

While Mr John Major, the Chief Secretary to the Treasury, dubbed *Labour the party* of high taxation, Mr Nicholas Ridley, the Environment Secretary, *accused the opposition of* notching up a "criminal record" on pollution.

Mr Peter Brooke, Tory Party chairman, claimed that Labour

John Major (left) and Peter Brook: renewed attack

was planning on increasing trade union powers and Lord Young, the Trade and Industry Secretary, said it was the Government's opponents - not the *Government - who were funda*mentally split over Europe.

The attacks came less than a week before elections to the European parliament, in which the Tories now fear that they might lose five or more of their 45 seats. Next Thursday will *also see two by-elections in the* Labour strongholds of Glasgow Central and Vauxhall in south *London where Labour is hop*ing for results that help to confirm its onward march.

The Opposition claims to be flattered by so much government attention. The Tories, it believes, are paying the price of a string of unpopular measures, opposition to which is only now swinging behind a *Labour Party that is putting its* own house in order.

Labour reckons the plans for the National Health Service, water privatisation, the impending community charge and high interest rates all appear to be taking their toll.

An additional, and potent, ingredient is the personal standing of the prime minister, whose autocratic style is increasingly at the centre of Labour criticism. The Opposition believes it can tap a popular vein in portraying Mrs Thatcher as the leader who has "gone too far" and who has overstayed her welcome. Her damaging spats with the Chancellor, Mr Nigel Lawson, will again be exploited by Labour leaders this weekend.

Labour, nevertheless, has to acknowledge its own problems of public perception with the party's own leader, Mr Neil Kinnock. In spite of his efforts to knock Labour back into shape, Mr Kinnock still receives a lower popularity rat*ing than Mrs Thatcher.*

In spite of the jitters now spreading among Tory backbenchers and the rising morale on the Labour benches opposite, both sides know there is a long way to go.

The Gallup poll in yesterday's Daily Telegraph, which put Labour on 43.5 per cent - its best figure since January *1981 and comfortably above the* 40 per cent level required to have a chance of winning power - showed a remarkable turnround from the previous month, when the Tories were 3 percentage points in the lead.

The scale of the change is, in *itself, cause for caution, and* Labour's present lead only repeats the position in January 1981, when the Government's popularity reached its lowest point of the parliament. The larger Gallup 9000 exercise, also published yesterday, still shows Labour just behind the Tories on 40.8 per cent.

The Tories' 36.5 per cent share of the vote is also considerably higher than normal for governments at this stage in an administration.

On past trends, the Government's third year will present its *toughest test,* after which some recovery is usual. For Labour to have any *chance of winning the next* general election, which will require a record, post-war swing of 6 per cent, their present edge has to be sustained and improved.

Labour thinks it is in with a chance and places great store on the potential impact of measures that have not been implemented - such as the poll tax and the water sell-off.

An important key to how the political map shapes up will be *the fate of the centre parties.* In paying the price for their bitter separation, they can count on only one in eight voters. One worrying sign for the Government is evidence that, among disenchanted Alliance voters, Labour is attracting *support by a ratio of two to one* over the Tories.

Tory MPs are prepared for things to get worse before they get better, although if Labour's rise continued, a decade of self-confidence could quickly drain away.

Top directors 'earning £450,000'

By Michael Skapinker

THE BEST-PAID 10 per cent of UK top executives earn £450,000 or more, according to a survey by Korn/Ferry International, the executive search firm. That compares with £300,000 a year or more last year.

The average total earnings for the highest paid executive *of UK companies with a turn*over of more than £500m is £192,000, compared with £182,500 in the 1988 survey.

The study, which covered 163 of Britain's largest companies, found that 90 per cent expected their revenues to increase in 1989 and 81 per cent expected a growth in profits. Eighty-three per cent of the companies reported increased revenues in 1988 and 81 per cent said their profits had gone up.

Over half of the companies said they increased employee numbers last year, while only a quarter said they had reduced them. About half of *those surveyed expected to* take on more employees in 1989 – just 14 per cent intended to reduce employee numbers.

The survey showed that 43 per cent of companies grew by acquisition in 1988, compared with 50 per cent in 1987.

Takeovers in the US dropped: only 16 per cent of companies said they had made an acquisition in the US in 1988, compared with 23 per cent in 1987.

The influence of non-executive directors was reduced, with 17 per cent of companies having a majority of non-executives on their boards, compared with 22 per cent in 1987.

Non-executive directors are, however, being better paid. The average total earnings of non-executive chairmen increased by 46 per cent to £42,590 during 1988. Other non-executive directors' total earnings increased from £9,400 to £11,700.

The companies surveyed reported that the influence of their institutional shareholders had increased: more than 52 per cent said that they influenced business decisions, compared with 44 per cent in 1987. Twelve per cent of companies now had an institutional representative on the board.

Boards of Directors Study UK from Korn/Ferry International, Norfolk House, 31 St James's Square, London SW1Y 4JL. £50.

Salomon to advise in power sell-off

By James Buxton

THE US brokers Salomon Brothers International have been appointed to advise on the overseas marketing of shares when the two Scottish electricity boards are privatised.

Salomon will advise the Scottish Office, the South of Scotland Electricity Board and the North of Scotland Hydro-Electric Board on electricity companies' shares being sold in the US and other overseas markets.

The Government's principal stockbroking advisers are de Zoete and Bevan, and Bell Lawrie, the Edinburgh broker.

Engineering union claims success over shorter hours

By Michael Smith, Labour Staff

ENGINEERING UNION leaders yesterday claimed a breakthrough in their fight for a shorter working week in the industry when they said that companies were breaking away from national agreements on hours and negotiating individual deals.

Mr Bill Jordan, president of the AEU, the largest engineering union, said union officials had negotiated tentative settlements with about half a dozen companies which conceded a working week for manual workers of less than the 39 hours stipulated in the national agreement. Other companies have approached them with offers, he said.

Mr Jordan was speaking after 350 delegates of all engineering unions met in private to discuss their strategy in the run-up to a ballot of members on whether to take selective industrial action in support of their campaign for a 35-hour week.

He said support for a shorter week was unanimous and shop stewards and conveners would now be going into factories to "let every engineering employer know that we have started our campaign and we will not stop until we have a settlement."

Union leaders will attempt to achieve maximum support from members for the campaign by holding out the possibility of longer weekends. They will be pressing for employers to cut the working week by closing early on Fridays, rather than cut the length of each working day.

The unions are withholding the names of the employers which they say have settled, partly because the companies do not want publicity and partly because no deals have yet been ratified by the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the campaign for a shorter working week.

The Engineering Employers' Federation said that it had heard of no companies which had broken away from national agreements on hours. However, if the claims were corroborated, it would be a blow to national bargaining.

Talks between the CSEU and EEF broke down last month after the unions rejected the employers' offer of a 6 per cent rise in minimum pay and a 1½ hour cut a week, linked to local productivity deals.

● About 76,000 workers in the electricity supply industry are believed to have accepted a 9.2 per cent pay offer recommended by union negotiators in return for a framework agreement on more flexible working practices.

The full result of a ballot is expected to be announced on Monday, but 39,000 members of the EETPU electricians' union are believed to have voted in favour of acceptance by 16,692 votes to 7,672.

Curbs on unofficial disputes supported

By John Gapper, Labour Correspondent

NOTHING remotely like a "summer of discontent" similar to the industrial disruption of 10 years ago is taking place in Britain, Mr John Banham, director general of the Confederation of British Industry, said yesterday.

Mr Banham, who expressed guarded support for further legislation to control unofficial action, said that the industrial disputes in progress at the moment were minor by comparison with problems experienced in the 1970s.

At the same CBI conference on employment law in London, Mr John Monks, TUC deputy general secretary, said the Government's approach to employment law was only sustainable in an economy running well below full capacity.

He said the real challenge to the Government was to run a successful economy with full employment, which required approaches designed to win workers' co-operation rather than force their acquiescence.

Mr Banham said that if there was any sign that unofficial action was becoming more widespread and premeditated to avoid balloting obligations under existing employment law, there would be a case for further legislation.

He told the conference, attended by Mr Norman Fowler, Employment Secretary, that privileges which go with legal immunities "should imply duties for individuals as they do for trades unions."

Most unofficial action is best tackled by managers where it arises, since it is often short-lived and more to do with localised grievances than fundamental principles," he said.

Mr Monks called for employers to back TUC proposals for a new charter of workers' rights, arguing that the Government's programme of industrial relations legislation had failed to bring about a transformation of attitudes.

He said it had promoted a philosophy of management more concerned with coercion than co-operation. A tightening labour market meant the Government's complacency that it had neutralised unions through legislation would be ill-founded.

Mr Monks said that if the law was to command confidence, it had to be seen to be balanced in a way that at present it was manifestly not. No-one would gain if industrial relations law was treated as "a political ping-pong."

Mr Kenneth Hack, director of employment affairs for the Chemical Industries Association, said there had been too much employment legislation recently for its value to be properly assessed.

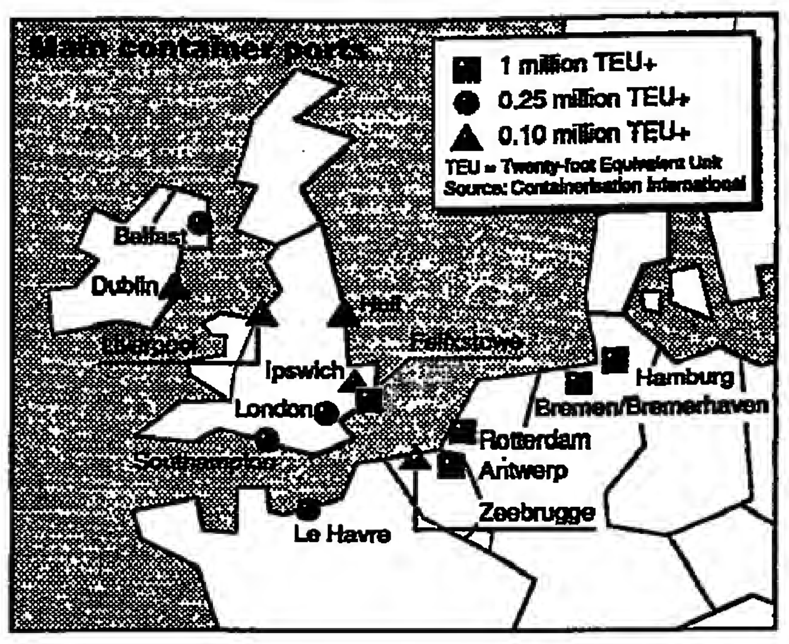
Skipping the shipping shambles

Rachel Johnson on how shippers avoid the docks disruption

THE SHIPPING business has had two months to plan how to shift cargoes to the right place at the right time in the event of a docks strike. The dispute, however, is still resulting in extra costs and logistical headaches.

Since April, when the Government announced it was to scrap the National Dock Labour Scheme, ship operators (the owners of vessels) and shippers (the owners of the cargoes) have been laying contingency plans.

The shipper's nightmare of a cargo rotting in a strike-bound port has so far largely been averted because of such advance planning – but few operators who have had to divert cargoes from striking ports are prepared to disclose their plans in detail.



Some of the shippers' reluctance to discuss diversion plans derives from the fact that the strike has forced changes of allegiance from one port or operator to another.

Shippers, mindful of the history of bad industrial relations at British ports, are trying to keep up good relations with the dock workers while continuing to serve their customers by getting the goods onto the shelves on time – which means using non-scheme ports.

In broad terms, shippers are taking one of two options to make sure cargoes reach their customers, according to Mr David Asprey, of the General Council of British Shipping.

A cargo of grain due to be unloaded at Tilbury, for example, where the grain division is on strike, could be sent on a "direct call" to a non-scheme port for unloading, such as Felixstowe.

The alternative is to go to one of the ports on the northern continent, where cargoes can be broken up and brought over in lorries on passenger and cargo ferries.

Diverting cargoes to a non-scheme port usually results in a long wait in the queue for a quay. Felixstowe, which has been picking up much of Tilbury's traffic, has now reached capacity and is not taking bookings.

Use of the continental ports has so far proved the more popular of the two options, neither of which is particularly satisfactory, as both involve more time and expense.

UK operators such as P&O Containers and Cunard are using the north continental ports, Hamburg, Bremerhaven, Antwerp and Rotterdam. The containers – usually unmarked – are put on lorries and then on ferries and can be unloaded at both scheme and non-scheme ports.

Mr David Asprey, of the Council of British Shipping, estimates transhipment from the continent is delaying transit times by an average of 24 hours. The extra costs are more difficult to quantify.

However, some sections of the shipping industry say they believe a strike will not last. Some operators, rather than going to the trouble of diverting cargoes, are waiting hopefully to unload outside strike-bound ports.

Strikes begin to affect scheme ports

By Fiona Thompson and Jimmy Burns

DOCKERS were on strike at eight ports yesterday and ship owners and shippers are starting to feel the effects. Men were out for the second day at Liverpool, nearby Garston, Bristol, Tilbury in London, and Lowestoft in Suffolk. They were joined yesterday by dockers at Ipswich, Great Yarmouth and Newport, Gwent.

In Tilbury, local port authorities said that threat of a strike had created "great uncertainty among customers," with a cumulative effect on trade over the past three weeks. Most customers in conventional cargo have anticipated the action by diverting to non-scheme or foreign ports like Rotterdam.

Trade which will be disrupted by continuing action includes grain, forest products, and bulk metals (mainly scrap) which together account for about 3m tonnes annually.

However, the container terminal, which accounts for more than 3m tonnes annually, was operating normally yesterday, although the union claimed that some of the 370 men had walked out.

In Liverpool, the 1,300 dockers continued the strike yesterday. The Merseyside port, which handles 7.3m tonnes of cargo annually, has seen its trade decline by 50 per cent in the past 10 days, with container traffic down by 80 per cent.

Liverpool handles forest products, cars, scrap metal, grain and bulk cargo. All Jaguar car exports to North America go through the port. The Hapag Lloyd Shipping Line, one of Liverpool's biggest customers, made contingency arrangements six weeks ago, "when the rumours of trouble first started," said the company. They brought these into operation gradually until this week when they took full effect.

"We are using feeder vessels to connect up with the ocean going vessels stopping at Rotterdam, and ferrying our cargo in or out of the UK using non scheme ports," Hapag said. The company normally sends 30 containers a week through Liverpool.

In Bristol 480 dockers held an 8am meeting yesterday and decided to stay out for a second day, stranding a ship waiting to load cars for export. Much of the port's 2.6m tonnes of traffic – car imports from Japan and Spain, forest products from Canada and the Far East, bulk cargo and scrap metal – is being diverted to northern European ports, the port authority said.

"There has been clear uneasiness in the past two weeks among the ship owners and shippers using Bristol," said Mr Brian Tufton, marketing manager at the port.

In Ipswich, 119 dockers walked out after a meeting yesterday but have said they will return on Monday. Mr Alan Hanson, commercial manager, said the port's 4m tonnes of trade had not been affected because the business was mainly short sea containers, which does not need bookings months in advance.

In the Welsh port of Newport, which has a total annual trade of 2.6m tonnes, 100 of 120 dockforce joined the unofficial action yesterday, disrupting the unloading of a cargo from Canada. However, the local port authorities said they expected the action to end on Monday and that the bulk of its trade, which includes coal and fruit, would be unaffected.

Sheerness, on the Medway, has not seen strike action but has nevertheless been adversely affected by diversion of trade by its customers. Nine ships carrying 10 per cent of the port's annual fruit cargo have been diverted to the non-scheme ports of Dover and Newhaven and to Zeebrugge for transhipment.

Blue collar staff learn office skills

By Our Labour Staff

THE local authorities of Ealing and Sheffield have introduced innovative schemes to provide manual workers with office skills in moves to tackle growing skills shortages and avoid enforced redundancies.

The schemes are attracting considerable interest from other councils, many of which are having to reduce the size of their manual workforces at a time when white collar skills are in short supply.

According to Industrial Relations Services, the independent research organisation which surveys the schemes in its latest bulletin, the initiatives at Sheffield and Ealing are:

● Helping to solve recruitment and retention difficulties by enabling the councils to grow their own clerical, computer and supervisory skills.

● Using the existing skills and commitment of workers who have lost confidence through undemanding work.

● Offering new employment opportunities to women and ethnic minorities who are over-represented in the manual workforce but under-represented among more highly paid white collar staff.

At Ealing, says IRS, courses for blue collar staff aim to provide employees with the opportunity to do their existing jobs, apply for promotion in the same department or switch to a different type of job.

The 13 courses include customer care training, job application/interview training, caretaking skills and an introduction to supervisory skills. An office skills training course is run in conjunction with a local college and lasts 10 days.

The council is facing difficulties in filling jobs in all departments which require computing and word processing skills. It found that many manual workers, particularly cleaners and caterers, had experience of other work but felt their skills were out of date.

Sheffield began to retain manual workers for white collar jobs last year when it had to shed 1,000 posts and cut spending by £20m.

About 140 former blue collar workers have transferred – or will soon do so – to clerical jobs, which have been slightly amended in many cases to suit the new occupants.

While training, workers receive the better of either the lowest white collar training rate or their previous salary. Training is undertaken in-house and largely through work experience.

White Collar Training For Unskilled Manual Workers; IRS Employment Trends, Issue 441; published next week by Industrial Relations Services, 18-20 Highbury Place, London N5 1QP; £8.50.

London schools hire W German teachers

By David Thomas, Education Correspondent

A LONDON education authority is breaking new ground by recruiting teachers in West Germany in one of the most dramatic moves yet to counter the growing problem of teacher shortages.

Havering education authority plans to recruit Germans to teach a wide range of subjects in addition to German itself, as worries mount about teacher shortages in the south-east.

Mr Neil Fletcher, leader of the Inner London Education Authority, is due to hold talks with Mr Kenneth Baker, Education Secretary, on Tuesday about threats of legal action as a result of the authority's inability to educate many children in Tower Hamlets because of teacher shortages.

Mr Barrie Joy, Havering's secondary schools inspector, has completed an initial recruiting mission to the teacher training college in Freiburg.

Four Freiburg teachers will start in Havering's schools in September: one at a primary school, one to teach German and geography and two to teach German.

Mr Joy is returning to Freiburg this month, where he will talk to 150-200 trainee teachers about working in Havering. "We will be recruiting for a wide range of subjects," Mr Joy said.

Havering like other authorities has particular problems recruiting teachers of science, maths, languages and for primary schools.

Mr Joy said Havering was forging long-term links with the Freiburg college. "We are offering an alternative career path for German teachers."

He explained that the German students, who spoke English well, were attracted to Britain because of high unemployment among German teachers.

Havering could offer them pay comparable to teachers' starting salaries in Germany by putting them mid-way up the teachers' scale.

● A circular issued by the Government yesterday confirmed that teachers' ability to take industrial action in support of colleagues in neighbouring schools will be curtailed.

The changes to teachers' employment rights flow from the devolution of staffing decisions to school governing bodies contained in the Education Reform Act.

Civil service plans to take on 'outside' specialists

By Michael Smith

GOVERNMENT departments are to hire specialist staff for information technology (IT) and purchasing posts in a move which breaks with the civil service tradition of recruiting "generalists," who are expected to move regularly from one type of job to another.

The announcement by the Treasury is a recognition of skills shortages in both areas and the perceived need to attract a higher standard of worker. It has been strongly criticised by unions representing IT staff who say it will demotivate workers and lead to higher wastage rates.

Under the new arrangements, government departments will recruit senior staff who already have experience in either information technology or purchasing and supply jobs outside the civil service.

Traditionally, the civil service has appointed senior staff in all areas, with a few exceptions such as scientific research, from a pool of recruits who have started in junior posts and been given a general "in-house" training.

The Treasury initiative will also enable departments to hire people on a short-term basis with a terminal bonus worth as much as 40 per cent of annual salary. This is expected to appeal to IT and purchasing and supply specialists who would welcome the challenge of a large government project but are able to move around employers with relative ease because of the shortage of their skills.

Mr Keith Streams, president of the Institute of Purchasing and Supplies, said that in purchasing and supplies the Government has depended on "generalist" civil servants assisted by a tiny number of purchasing professionals, working as advisers on short term appointments or secondments from industry.

"That is no way to tackle a purchasing budget of £6.5bn a year," he said.

The National Union of Civil and Public Servants, which represents 13,000 staff in information technology, said the IT initiative would lower entry and promotion standards and separate staff away from mainstream civil servants.

Ms Judy McKnight, assistant general secretary, said the changes threw away a golden opportunity for the civil service to provide good quality jobs in computing, with a view to keeping and retaining its own pool of experienced and motivated staff.

Minister refuses to be swayed by dockers' action

THE GOVERNMENT yesterday again underlined its determination not to allow industrial action by registered dockers to alter its plans to abolish the National Dock Labour Scheme.

Lord Brabazon, a junior Transport Minister responsible for shipping, said they were depriving no-one but themselves of a decent future.

"Parliament will not be swayed by their action. Only ports outside the scheme will gain, at the expense of their pay and jobs. The nation will cope with any disruption they cause and will emerge with the prize of a more competitive port industry," he said.

During a second reading debate in the Lords on the Dock Work Bill which abolishes the scheme, Lord Crickhowell, a Tory peer and director of Associated British Ports, denied that abolition of the scheme would mean a return to the use of casual labour.

The industry had no intention of doing so because modern technology required a permanent and well-trained workforce, he said.

He also dismissed suggestions that the scheme should be replaced with other machinery allowing national negotiations between employers and the Transport and General Workers' Union. This would lead only to higher costs and unnecessary demarcation.

However, on the Labour side Baroness Turner said the industry lent itself to the use of casual labour. Abolition of the scheme could lead to a core of highly-skilled workers surrounded by casuals.

Other countries such as Holland continued to maintain similar structures to the Dock Labour scheme. The decline of scheme ports could be explained by Britain's lesser role in world trade.

Lord McCarthy, Labour's employment spokesman, said foreign ports were more efficient because greater investment had been made in them.

The Bill was given an unopposed second reading.

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Spectre of stagflation

MR NIGEL LAWSON has had a relatively good week, if a week in which he has had to admit that inflation (measured by the reviled retail price index) may peak at not far short of 9 per cent can be thus described. At least it has been a week without stray shots from the battleship next door and without the sight of sterling plunging further beneath the waves. The Chancellor was even able to mount a robust defence of his record and policies on Wednesday. But even if a week is quite a long time in politics it is not very long for economics. The forces unleashed by the headlong economic expansion which won the Government the last election could still lose it the next.

The good times are behind it. Failing a sharp recession in the near future, the Chancellor may find it impossible to deliver underlying inflation of 4 per cent and growth of 3 per cent in any year before the next election. His choice is more likely to lie between sustained growth with underlying inflation above 6 per cent (and possibly accelerating) and a prolonged period of slow growth with underlying inflation slowly falling back to where it was five years ago. The smart money should be on stagflation: underlying inflation remaining not far short of 6 per cent and growth averaging 2 per cent or less.

Preferred policy

The Chancellor was right in his assertion that the Opposition does not have anything better to offer (beyond glee at his plight). Equally, he is right to believe that any differences within the Government over the exchange rate are of no great moment. To the extent that Mr Lawson is, indeed, more concerned about sterling, his preferred policy will now be tighter than that of the Prime Minister, just as it was looser in the first half of 1988. The reason for the change is the reversal of the pressure on sterling.

A little over a year ago, base rates were 7½ per cent and the sterling trade-weighted effective exchange rate was close to 97½. Today base rate is 14 per cent, while the effective exchange rate has declined to 92. The Chancellor complained about the incongruous upward pressure on sterling in early 1988 (going so far as to call it "unsustainable", on which he has proved right). It is the current account deficit, often thought to be his main problem, that has given him the combination he wanted.

Sterling's slide raises questions about what the Chancellor's reiterated commitment to a stable exchange rate means. "We will keep interest rates at whatever level is necessary for as long as is necessary," he asserted. "We will maintain our existing funding policy and our existing monetary techniques. And we will not allow the firmness of our monetary stance to be undermined by a depreciation of the exchange rate." Why then has the effective rate been allowed to depreciate by almost 6 per cent since last December and the rate against the D-Mark by more than 16 pfennig since February?

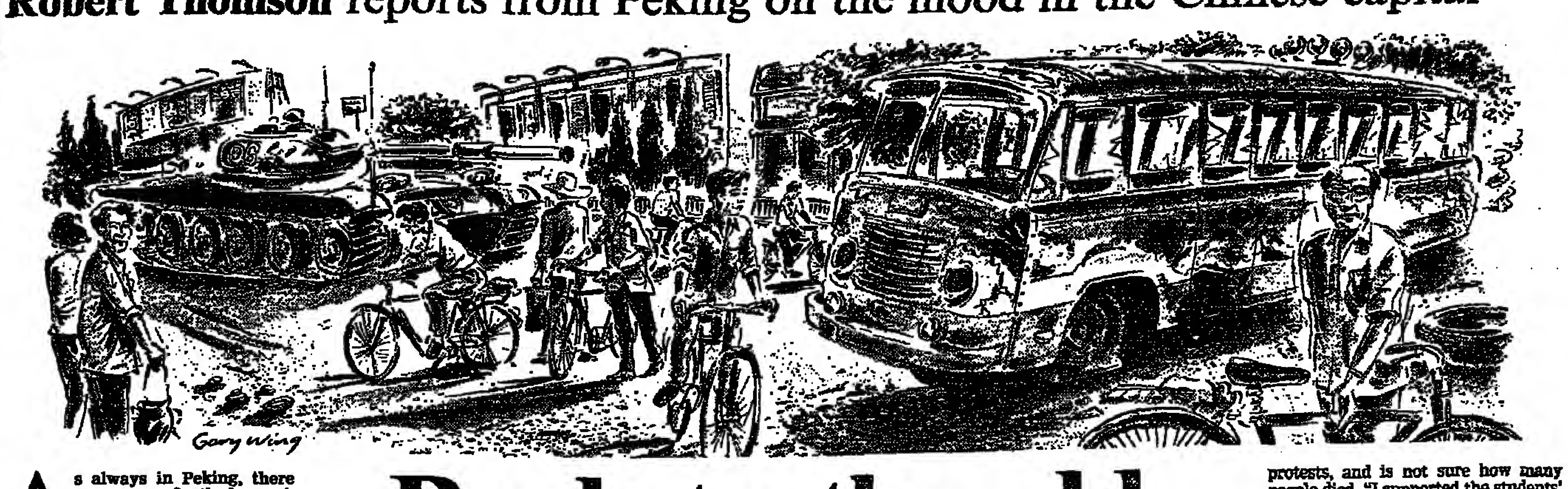
Effective rate

Pragmatist that he is, the Chancellor has avoided stating the value of sterling against which the commitment to avoid depreciation is to be judged. The effective exchange rate today is roughly where it was in February 1988, just before sterling was uncapped. Against the D-Mark, sterling is still 10 pfennig stronger than at that time. This suggests that a further sterling slide – if gradual – would not meet the resistance that an incautious reading of the Chancellor's utterances might suggest, particularly if domestic demand remains subdued and the alternative is base rates of more than 15 per cent.

Such an accommodation of stagflation would meet with widespread approval. The balance of informed opinion in the UK is always in favour of accommodating inflation at whatever rate it is at the moment, rather than tolerating the costs of lowering it. The Chancellor has not proved greatly out of line with this consensus. The pragmatism characteristic of his long period in office has tended towards choosing the convenience of the present over the risks of inflation tomorrow – until last summer.

The challenge now is to limit damage already incurred. Whatever he does now, the next three years cannot be as delightful as the last three. The Chancellor can choose only the nature of the unpleasantness and the situation he will bequeath to his successors. The right course will be to retain a tight policy, until the economy is again brought into balance at a rate of inflation consistent with maintenance of competitiveness at a stable exchange rate. It will take courage to stick with such a policy in the teeth of what will surely be some dismal polls. It will not be made any easier by the lack of credibility of the Chancellor's policy of a strong exchange rate. There will be no alternative, however, to both courage and luck if the Government itself is not to sink without trace.

Robert Thomson reports from Peking on the mood in the Chinese capital



Back to the old men's normality

As always in Peking, there was a queue for the long yellow and red buses that announce their coming with the shrill, loudspeakered voice of a conductress warning cyclists to get out of the way. Farmers with melons stacked on the back of a bicycle trailer were coercing customers into buying low quality at high prices, and a noodle shop had stereo speakers out in front filling a small side street with the discordant clanging of Peking Opera. Life in the capital, at least in the Communist Party's view, was returning to "normal" yesterday.

That narrow party view did not take in the troops who fanned out, seven to a truck, three trucks to a convoy, to make a point of the presence of the People's Liberation Army. It also ignored the 20 or so soldiers camped in front of the Chinese Academy of Social Sciences, a liberal think tank and prime target for a purge.

The Communist Party leadership likes to think that the masses will be content if they have their articulated buses, Peking Opera and flawed watermelons. It is the same mentality that prompted a Peking official to tell Hong Kong people that they do not have to worry about the party banning horse racing after 1997, when the British territory returns to Chinese control. In the party's thinking the people of China do not need democracy, nor do the people of Hong Kong need elections.

That is one level of a disturbing, outdated mentality that seemed to be disappearing when I left China a year ago after more than three years as a correspondent. At that time, leaders such as Zhao Ziyang, the party chief, talked of the need for political reform, of making the party more accountable to the people, and of separating party from government in the interests of efficiency. Researchers at the Academy of Social Sciences were producing controversial papers on political theory that would have had them exiled a few years earlier, and the astrophysicist-dissident, Fang Lizhi, was chairing afternoon political salons on the grass at Peking University. The economy was in a mess, but there were good reasons for guarded optimism.

Now, Zhao Ziyang has been purged, though the show of hands in a stacked party meeting is yet to come. Writers, sociologists and researchers are at the top of every elderly conservative's hit-list. Fang Lizhi, whose effigy was burned a week ago by anti-democracy protesters given 20 yuan for marching through the streets, has sought refuge at the US embassy. And the people of Peking can inform on a "counter-revolutionary" by dialling 512-5666 and leaving an anonymous message.

The coalition of conservatives running the country is gaining confidence in asserting authority over distrusted institutions, and apparently feels no pain at having called in the army and slaughtered, probably, hundreds of people, and, perhaps, thousands. For Li Peng, the Prime Minister, last weekend was a "brilliant victory," and another spokesman for the coalition described the carnage as a "life and death struggle for the party and the country." (Notice that the party comes first.)

While liberals in the leadership had sought to give individuals more room for manoeuvre in the past few years, the networks of control – the internal and external intelligence services and the all-pervasive party structure – were never dismantled. Those institutions are now being used in the crackdown against pro-democracy activists. It is in the interests of the officials running those institutions to exaggerate the threat posed to the party and to recommend severe punishment of the individuals arrested and summarily tried. To be charged in China is to be convicted.

Li Peng and his comrades are particularly bothered by the emergence of networks of communication outside their control. They are obsessed by control. They were bothered by an economy that seemed to have developed a mind of its own, and even more bothered by the number of people who have developed ideas well beyond the boundaries of the "four cardinal principles," the ideological foundation of the present leadership. Basically, those principles are that the Communist Party runs the country and the masses are to be guided in their daily lives by Marxism, Leninism, and the thinking of Mao Zedong.

The conservatives began restructuring the media before the violence of last weekend, having calculated that many journalists and editors were unsympathetic to their more orthodox ideology. Zhao had been influential in promoting reformist editors to party and government propaganda bodies. Even after Zhao had clearly lost power, editors took serious risks in reporting the protest movement fairly and, in a final hurrah, the Xinhua news agency reported that 1m people protested on a day when the figure was closer to 100,000, and noted that most were chanting slogans condemning Li Peng. One can only wonder what will happen or has happened to the authors and editors of that report.

And one can only fear for the safety of Chinese friends and contacts, individuals who knew there was a long-term risk in associating with foreigners in a country that has a long history of officially fuelled xenophobia. What of all the officials I interviewed who surprised me with their readiness to challenge the orthodox? Will they just be transferred to meaningless positions or will they be punished more harshly? And what of the workers, who, inspired by the activism of the students, organised protests and strikes in factories and offices? Sacked or worse?

The party's strategy is to use people against people. The counter-revolutionary hot line is part of that process. "People are so frightened now. I can't believe how quickly things have changed," a young Chinese woman says. "Now we will just go to work on our bicycles, do our job, and return home. We are just small potatoes."

'Now we will just go to work on our bicycles, do our job, and return home. We are just small potatoes'

The manager of a small store in the south of Peking says he wants to ignore last weekend and is afraid of getting involved in politics, though he supported the aims of the students. "There was really no reason to use the army," he says. "But what can we do about it? The masses have no weapons. Only the army has weapons."

That sense of powerlessness is amplified by the presence of the army, which now mixes smiles with AK-47s and random bursts of gunfire in the streets. The Chinese army, is, like the country, controlled by elderly men who claim to have retired, but who still run an old-boy network that has far more influence than the National People's Congress, the Chinese parliament. These revolutionaries grew old with the army which they long marched to victory in a civil war 40 years ago. They have influenced enough appointments of senior staff to ensure that, in moments like this, they can rely on the PLA to do their bidding.

But the army remains volatile. A series of humiliating defeats inflicted by the protesters put certain officers, who had lost face and self-control, in the right frame of mind to kill. One of the strangest scenes of the past week was when the tanks and armoured personnel carriers had finally cleared Tiananmen Square of protesters on Sunday morning. The students had walked out holding hands and singing patriotic songs that rose above the intimidating roar of tank engines. Then a lone, almost model soldier emerged from the metallic columns of armour, dressed in immaculate camouflage uniform which looked specially prepared for such an occasion. He stood with machine gun held at the ready for 10 minutes, staring arrogantly across at the departing students as if to mock their folly at daring to confront the PLA. It seemed almost as if the attack on the square had all been arranged for the sake of this theatrical gesture.

There are generals who would not support a pro-democracy protest, but would have reckoned that, given time, the students would drift back to the campuses. Those generals and other discerning government officials are feeling outnumbered now. The party has brought out the heavy artillery of ideology. One senior cadre, unsure of his future and of who can be trusted, contacted a foreign correspondent for help in getting a US visa.

The number of people prepared to take to the streets in recent weeks is a cause for optimism, as is the number of liberal officials who will be falling into line now, but are awaiting an opportunity to follow their instincts. The problem is that the longer the present leadership lasts, the more like-minded officials will be planted in positions of power, and the more official propaganda will be able to blur the events of last weekend. It is already at work: a young secretary says she has been confused by the state-run television coverage of the protests, and is not sure how many people died. "I supported the students' ideas, but there was some chaos. Maybe something had to be done. Nothing will happen to me now. I will be all right. All of my friends will be all right."

None the less, time is against the old men. The members of the elderly coalition are all octogenarians, and all have health problems. Of late, Deng Xiaoping, the paramount leader, has needed regular doses of oxygen.

Perhaps the conservative coalition will ease up on the rhetoric. Perhaps this talk of counter-revolutionaries is self-justification that will evaporate in the next few weeks. Perhaps Li Peng, the Prime Minister that everyone loves to hate, is not, as many Chinese like to call him, "a puppet", and is merely a technocrat who will be less brutal when his wounded pride heals. (Li asked that masking tape be stuck on the cover of a foreign news magazine that last week portrayed him as a Nazi.)

At best, however, China is entering a period of profound mediocrity. The gerontocracy is agreed on the need to assure its control, but divided on almost everything else. Economic reform is over for now, so expect more central controls on planning. If the present faction retains power, expect a more politicised China, with more political "criminals" and political re-education to overcome "bourgeois liberalism" – the illness that has irritated the elderly leaders for the past four years. In a recent speech, Deng said that a 1986 campaign, had it been pursued more ruthlessly, would have wiped out "bourgeois liberalism," and students would not have protested.

Sadly, the present leadership does not care much for what foreign countries think about China. Nor are they obliged to work to parliamentary deadlines. As the great Chinese strategists have always done, they will take their time – to the frustration of critics and opponents. They are unaccountable and, for the moment, untouchable.

One Chinese thinker discredited by the party, Confucius, had a few thoughts on the subject, thoughts that were in the minds of students risking all for a greater cause than graduation. Confucius was asked by a disciple which of the three requisites of government – food, military equipment, or the people's confidence in their rulers – should be first dispensed with in time of trouble.

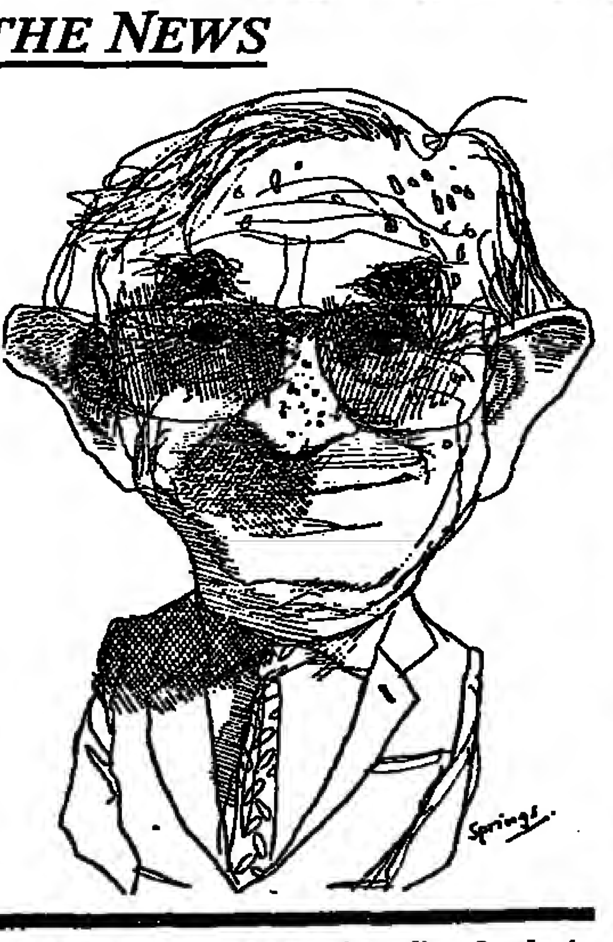
"Military equipment," the master said. The disciple asked again: "If it cannot be helped, and one of the remaining two must be dispensed with, which of them should be forgone?" The master said: "Part with the food. From the earliest times, death has been the lot of all men, but if the people have no faith in their rulers, there is no standing for the state."

MAN IN THE NEWS

Antoine Riboud

Healthy appetite which takes the biscuit

By George Graham



At their annual general meeting next month, shareholders of BSN, France's leading foods group, will have the chance to vote on a resolution extending the company's mandatory retirement age from 75 to 80.

Even under the old limit, Mr Antoine Riboud, BSN's chairman, had five years ahead of him, but the subject of his succession – something which has been raised repeatedly for 15 years or more – still irritates him profoundly. Besides, it is clear from Mr Riboud's personal relish that the five biscuit and crisp companies he has just bought from RJR Nabisco are not intended as a parting gift to his successor; he plans to get full enjoyment from them himself.

The new brands, such as Smiths Crisps in the UK or Belin Crackers in France, will reinforce the portfolio of this consummate salesman. "If he met the Pope, he would certainly convert him to Evian water for the Vatican fonts," commented his younger brother Marc, a well-known photographer. The price of £2.5bn will bring additional debt service costs; it is clear the purchase will hit BSN's results in the short term.

Mr Riboud is confident that he can digest the acquisition, however, and his digestive experience in 24 years at the head of the group is substantial. Starting with the Lyon bottle-making company Souchon-Neuvesel, which he took over from his uncle in 1965, Mr Riboud first set about building France's leading glass group. He took a substantial step in this direction in 1966 by merging with Boussois, a flat glass maker in the north of France, to form BSN, but two years later he ran into a wall with an unsuccessful bid for St Gobain, the country's top glass group.

His impudence in launching France's first hostile takeover bid against the stately St Gobain, fresh from celebrating its 300th anniversary, raised the hackles of the Paris financial establishment, and the paper offer failed. Baulked in one direction, BSN struck out in another, buying up in 1970 three large customers for its bottles: first Evian, the mineral water, and then Société Européenne de Brasserie and Kronenbourg, with 40 per cent of France's beer production between them. Mr Riboud continued, however, to develop his group's glassmaking activities both in West Germany, where its subsidiary Flachglas became the country's leading plate glass producer, and in Belgium, where BSN took control of Glaverbel.

Yet in the same year, BSN took the decisive step that was to lead to its conversion from glassmaker to foods group, with the acquisition of Gervais-Danone, the world leader in yoghourt and dairy products with a range of other brands, such as Panzani pasta and Gallia baby foods. This diversification did not win universal applause, and while the newly acquired food division steadily lost market share, the plate glass operations, hit by the float glass technological revolution, fared far worse, bringing BSN into the red in 1975.

BSN's decision in 1979 to become a full-time foods company by selling its plate glass operations outright to Pilkington of the UK, nevertheless stunned competitors and shareholders. Mr Riboud explained that, "In the ten years to come, we will need money to get through the crisis. I had to choose between glass and food, both of them greedy for capital. I chose food."

Since that decision, Mr Riboud has had his successes and his failures, but he has managed to build up an impressive range of brand names, from Amora mustard to Pommery champagne and Liebig soups. Among the successes was the acquisition of Générale Biscuit in 1986. The new divisions acquired from Nabisco, including Jacobs in the UK, Belin in France and Saiwa in Italy, will take BSN into the lead in the European biscuit market.

Among the failures, on the other hand, was his attempt in 1985 to win Buitoni, the Italian pasta and sauces group. Mr Riboud appears to have retained a lasting antipathy for Mr Carlo de Benedetti, who gazumped him at the last minute, only to sell Buitoni on to Nestlé last year. The silver lining to this setback was that it helped to cement an alliance with Italy's Agnelli family, who have themselves crossed swords with Mr de Benedetti on occasion. Reinforced by cross-shareholdings, BSN and the Agnellis have since embarked together on a string of acquisitions in southern Europe. "In countries like Spain and Italy you need a godfather, and we decided to choose the best godfather possible," he said at the time.

Mr Riboud found the UK equally difficult to penetrate, but the purchase last year of HP Foods, including the notorious sticky brown sauce along with the less glutinous Lea & Perrins, gave him his "royal road" into the British market.

"Everywhere else in Europe, except Great Britain, we were competing on equal terms with our competitors. It was a gap which had to be filled," Mr Riboud said, explaining that food is becoming both more universal and more tasteless, so that the British will not only import more foreign foodstuffs but also buy more sauce to pep them up. "What comes to save food from banality? the sauce. Look at the fantastic growth of fast food; what could be more banal than a hamburger? What stops it from being banal is the ketchup," he mused, adding that the best ketchup was, of course, his own Amora brand.

Unlike his brother Jean, who died in 1986 after 20 years as the aloof and authoritarian head of the oil services company Schlumberger, Mr Riboud is a sociable and chatty industrialist, as happy to talk about his private vineyard near Aix-les-Bains as he is to expound his theories about bland food.

His meditations range further afield, too. In 1972 he scandalised the annual conference of the Patronat, France's employers' federation, by calling on his fellow industrialists to manage with their hearts as well as with their heads, to negotiate with their employees and to accept their social responsibilities. More recently, he delivered a report to Mr Jacques Chirac, then prime minister, on how to manage modernisation in industry. The answer, somewhat cruelly abbreviated by Paris reviewers, was "copy BSN." But it is enthusiasm for his products that really gets Mr Riboud going, after 24 years as BSN's chairman. With nine-and-a-half years to go before he reaches the company's new retirement age, the question is whether his heirs apparent can maintain the same appetite.

Christopher Bobinski reports from Warsaw on Poland's future

A political void opens

Little has changed on the surface in Poland after last week's electoral disaster for the Communists. The country seems caught in the moment between when a stone hits glass and the shattered pane crashes to the ground.

The election has left the Communists in power without any mandate to rule and the Solidarity opposition with massive support but wary of getting involved in government. The population is still bemused at the extent of its triumph after 44 years of Communist rule.

The challenge now is to win time for the Solidarity leadership to prepare itself to take up a governing role and, more important, bring Poland's Warsaw Pact neighbours, including the Soviet Union, around to the idea that they can live with a non-Communist government, or at least a Poland run jointly by the Communists and Solidarity.

This week's astonishing election results have made these ideas inescapable. None of the Communist-led coalition candidates won a seat in the Senate, the Parliamentary upper chamber, and a mere five managed to get into the Sejm, the lower house on the first ballot, where the winner was required to get half the votes plus one.

Worse still, a national list of 35 leading party figures, dominated by reformers, failed to get the required half of the national vote, posing a major problem for both sides since those defeated were among the prime movers of the reform pact arrived at by the regime and the opposition in April.

In contrast, Solidarity's candidates for the 35 per cent of the Sejm open to electoral competition sailed into place and a mere eight failed to win half the votes required to get into the 100-seat Senate, where most are assured of a victory in a second ballot on June 18.

The results dismayed the authorities but they soon admitted defeat and called on Solidarity, the evident victors, to take "co-responsibility for the state." It was an invitation to enter the Government, which Solidarity was quick to refuse.

Prof Bronislaw Geremek, who has been at Solidarity leader Lech Walesa's side since the early days of the Gdansk shipyard strike in August, 1980, and is now one of the most influential people in the movement, went out of his way to explain that nothing untoward had happened. Though he told Western reporters they were "over-dramatising" the situation, he sounded like a pilot with two engines out of action, and the steering failing, telling the passengers that everything is under control, knowing that if they panic he has little chance of a safe landing.

Both sides, confronting a sudden void, clutched at the "round table" agreement they had signed in the spring after two months of talks, which commits the authorities to a programme of gradual political and economic change. It also guarantees the Communists and their allies a majority in the Sejm, and Mr Geremek was quick to confirm the inviolability of this "contract." Mr Walesa reiterated this unequivocally yesterday in Gdansk: "I don't want to break my word and destroy the whole round table."

Despite the crushing weight of Solidarity's victory therefore, the key office of president, with its wide-ranging powers over the military, internal security and foreign affairs, will remain in Communist hands.

Lech Walesa (left) and Bronislaw Geremek at talks with the Government

Though this may disappoint Solidarity's more militant supporters, the movement's leaders clearly feel that only a carefully judged and gradualist approach can win backing from the Soviet leadership and Poland's eastern bloc neighbours.

But first Poland needs to get through the second round of elections next Sunday, when the establishment candidates, who almost all failed to get elected the first time around, will be competing against each other on a first-past-the-post basis. Once the deputies are in place, the two chambers can by the end of this month elect a president, who can then propose a Prime Minister to be approved by the Sejm. The government which emerges may be weak and transitional if Solidarity plays no part, but both sides recognise this as better than the present power vacuum.

The party leadership has set the next central committee meeting for June 28, by when it hopes that most of the decisions will have been made. For it is clear that a meeting now would sweep away the reformers around the President, General Wojciech Jaruzelski, given the mood in the party apparatus, angry at having being forced into what it sees as disastrous elections.

The Solidarity leaders are in the uncomfortable position of conniving in the political survival of their roundtable partners. Although Mr Mikhail Gorbachev's reform process in the Soviet Union provides an umbrella, and the fact that significant sections of the Polish army showed by voting for Solidarity candidates this week that it could not easily be used for a return to martial law, any hardline shift in the Soviet political balance would immediately give the signal for the conservatives in Warsaw to leap at Solidarity's throat.

Assuming that the present party leadership can survive the next few weeks, the party is in uncharted territory. There is already talk of defections. Self-styled social democrats inside the party say they are intent on setting up a new grouping, and Mr Alfred Miodowicz, the head of the OPZZ official trade union, has served notice that his movement wants to organise a "labour party" to represent its interests.

The Solidarity leadership faces no less serious problems. Its advantage is the massive vote its candidates received, and Mr Walesa's enormous fund of prestige. Initially, people in the streets received the news of what they had done to their government calmly, maybe disbelieving that this was the way things would change, and certainly sobered by the daily coverage of the tragic events in China on television. Nevertheless, as soon as the effect of what has happened sinks in, people could well demand more radical policies from their leaders than just staying in opposition. There are already signs of radicalisation in the calls and letters coming in to Solidarity headquarters protesting at the movement's agreement to give the hapless national list candidates a second chance to get into Parliament. The radical mood will be fuelled by a deteriorating economic situation in coming months, as inflation mounts and the $40bn foreign debt continues to weigh heavily on the country. Indeed, Solidarity could well find itself having to come out against strikes in coming months.

It could also begin to splinter. The seeds of new political parties are well embedded in the opposition's consciousness. Christian Democrats and free market liberal groupings are certain to continue to grow outside Solidarity as well as inside the movement. The Solidarity Parliamentary group is not ideologically uniform, even though its leadership is in the hands of social democrats. This, too, will provide a source of future conflict.

The formula is an unstable one, whichever way it is examined, and General Jaruzelski's visit to Brussels and London over the weekend will be devoted, no doubt, to making this point. Poland, he will reiterate, needs relief now more than ever on its debt burden, and, if there is to be hope of a stable future, financial support from the West will have to be forthcoming. Any ugly finale to Poland's latest dash for democracy could prove fatal for the prospect of change in the Soviet Union itself.

Raymond Snoddy examines the decision to put Britain's commercial TV licences up for auction

Television, art and market forces

The decision this week by the Cabinet committee on broadcasting, chaired by Mrs Thatcher, to put Britain's commercial broadcasting licences up for auction to the highest bidder sets a new precedent.

Until now, everywhere in the world, broadcasting has been considered too important and too central to the national sense of identity to place in the hands of unfettered market forces. The "beauty contest" where competing applicants parade their programme offerings and skills before committees of the "great and good" has been the standard method of allocation.

Even in the US, broadcasting licences have been awarded, not auctioned off, by the federal authorities. France sold off its first national television channel, TF1, to the private sector in 1987, but did so after fixing a price and then choosing between those who were prepared to pay it.

New Zealand, according to National Economic Research Associates, the communications consultants, comes closest to auctions with plans to allocate radio spectrum rights to the highest bidder, although there will also be subsidies for public service programmes.

There is, however, no obvious parallel for the scale of the British decision. The licences of all 16 ITV companies – all but the tiniest, the Channel Island company, are publicly quoted companies – will go to the highest bidder for 10 years beginning January 1 1993.

In theory every single ITV company from TV-am to Granada and Thames to Grampian could lose its licence to broadcast. That is highly unlikely, as the incumbents should be in a strong position to know just what a particular franchise is actually worth. It seems certain, however, that there will be a greater turnover of broadcasters than in the past when the Independent Broadcasting Authority tended to throw one, or at most two, sacrificial victims to the wolves.

"This (the highest bids procedure) will change the nature of the system entirely and the nature of the regulatory body," says Professor Martin Cave, professor of economics at Brunel University, who spoke at a seminar on the deregulation of commercial television this week. Broadcasters would come under irresistible pressure to alter schedules as far as possible in favour of profit maximisation. As a result any attempt to guide broadcasters away from such a formula towards fulfilling a "public service" role would have to be specified "in a legally enforceable way."

There is also a danger of overbidding, either by those who do not fully understand the television market or by those determined to become broadcasters at almost any cost, just as in the past the powerful have been happy to pay large amounts for loss-making newspapers.

It is virtually impossible to make any precise prediction on what ITV franchises might be worth; there are still too many unknown variables. Some analysts suggest, however, that the London weekday franchise, now held by Thames Television, the largest ITV company, could attract bids of up to £400m, with a yearly levy on top.

The idea of competitive tenders for broadcasting licences surfaced in the Peacock Committee report on the future financing of broadcasting in 1986. The recommendation was adopted by a 4-3 vote in the committee and was accompanied by a stipulation that the IBA should have discretion to reject the highest bid but should publicly state its reasons for doing so.

It fitted well with the Government's dissatisfaction over the way ITV franchises had been awarded previously – a process seen as opaque and subjective. Mr Douglas Hurd, the Home Secretary, in particular, was determined to have a more open and objective test.

After a long debate within the Government, competitive tendering found its way into the White Paper on Broadcasting last November. Applicants would first have to pass a "quality threshold" and be prepared to fulfil obligations such as the provision of quality national and international news, current affairs and regional programmes.

The final choice, however, would be made in a lump sum auction and successful broadcasters would also pay a continuing levy on advertising revenues throughout their 10-year licences.

The debate about the precise form of tendering continued until Tuesday's Cabinet meeting, with the Treasury arguing for a straightforward auction which would maximise revenues.

The Home Office argued for a more elaborate process which would give more weight to the quality of applicants' programmes and business plans and allow the new Independent Television Commission the discretion of choosing the highest credible bid as opposed to merely the highest.

The Home Office is claiming a victory, since, it says, an element of discretion has been saved. After the auction, the ITC will be able to review the initial applications of the winners to make sure they are capable of carrying out what they promised and are able to pay for it.

The Home Office, apparently with Department of Trade and Industry support, headed off the Treasury desire to privatise the other commercial channel, Channel 4, with the argument that if it were completely privatised it would be unable to continue with its innovative programming.

The Government must now decide what form the auction of licences should take and how to protect diversity of programming once licences have been awarded.

Professor Cave has been looking at the problem of post-auction programme standards. He says one possibility would be to adopt the Australian system where broadcasters are awarded points for particular programmes, with premium points for programme-types such as religion and the arts. Broadcasters would be set a minimum number of points they had to achieve to retain their licences. Another possibility would be minimum quotas of hours for particular programme-types.

The irony is that an auction system designed to achieve maximum clarity and simplicity might actually lead to greater complexity. A bureaucracy might be required to adjudicate on programme type and content, if the Government's prime aim is to be achieved – that good programmes should increase with the introduction of choice and competition.

LETTERS

Refuge of last resort

From Mr Michael le Queux.

Sir, While the earth of Hong Kong might reasonably be considered China's, the people and their spirit are not. They must never be forcibly handed over to a brutal self-contained feudal leviathan for whom world opinion is an irrelevance.

The immorality of the 1997 "settlement" has been well covered: the original assumption that the whole territory must inevitably be handed over to China; the patronising refusal to allow real self determination for Hong Kong; and most damning of all, the refusal to grant a means of escape for its people.

The edifice of trust was based on China's apparent new-found willingness to conform to the standards of an international world. Then came the grotesque events of last weekend in Peking.

The British Government may hope for the best; we must plan for the worst. Britain must vigorously lobby for and underwrite an international agreement to evacuate Hong Kong people if circumstances demand it.

The well educated and industrious population could be distributed at the very least, within the EC – and, I hope, beyond. It is highly unlikely that Britain would ever have to absorb millions of refugees.

Michael Le Queux,
3a, 12-14 Wong Nei Chong Gap Road,
Hong Kong.

This knot intrinsicate

From Mr Brian Dowling.

Sir, The reprehensible practice of wearing "made-up" ties to which Mr Osman Streater refers (Letters, June 3) is but one more instance of the decline in sartorial standards to which not only the City but the nation has sunk.

Proper tying of one's dress neck-tie is no more difficult than the tying of one's bootlaces. Unfortunately the expedient to which he recommends we resort, that of wearing informal dinner dress with the concomitant black tie, will not answer – unless one also commits the solecism of wearing a soft turn-down-collar-attached shirt: a quirk of fashion of whose encouragement no less a personage than the late King Edward VIII was reportedly guilty, and which has since frequently not been unobserved in Royal circles.

Brian Dowling,
Savile Club,
69 Brook Street, W1

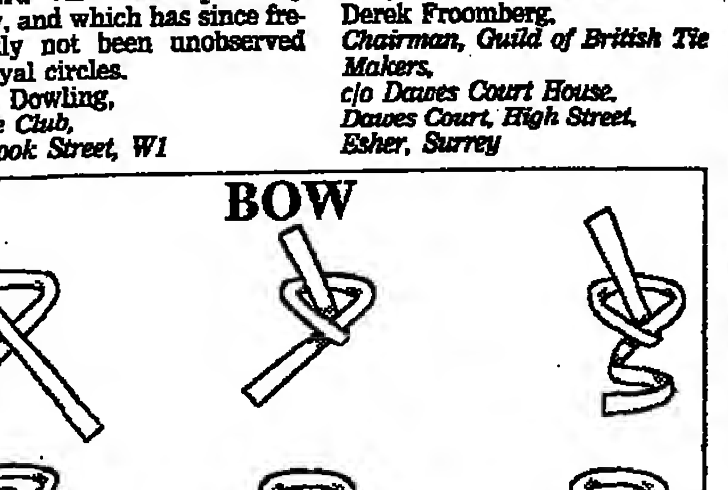
From Mr Derek Froomberg.

Sir, In response to Mr Osman Streater (Letters, June 3), I must refute the alleged demise of the real bow tie in favour of the inferior pre-tied clip variety, and salute the City livery companies' attempts to uphold the tradition of dining in white tie and tails.

Although current trends lean towards "clothes of convenience," nothing can rival the sartorial elegance of a "real" bow tie. Indeed, the "real" bow tie is enjoying renewed popularity. Recent sales figures indicate that this is likely to continue.

It is a common misconception that the classic bow tie requires a complicated knot. As the diagram illustrates, this is by no means the case.

Derek Froomberg,
Chairman, Guild of British Tie Makers,
c/o Dawes Court House,
Dawes Court, High Street,
Esher, Surrey



(positions as seen in your mirror)

Danger of 'stop-go'

From Mr Howard Flight.

Sir, In a climate of increasing fiscal surplus it was natural, last year, to use interest rates to check overheating pressures from the housing market. In 1989 the objective of interest rate policy has subtly changed to that of sustaining sterling – with the risk that high interest rates will cause stagflation, if not a recession. Interest rates as the sole lever of UK economic policy are no longer appropriate to policy objectives.

Visibly, interest rates have been the main cause of rising UK wage inflation; an average household with a mortgage needs a 15 per cent increase in income merely to match increased housing costs. Moreover, with much of the economy, in both the private and public sectors, unavoidably, still subject to monopoly or oligopoly and lacking the discipline of competition to resist wage claims, it is a very long term hope to believe that high interest rates will eventually check wage inflation.

High exchange rates also serve to redistribute away from people in the 20-40 age group – typically overstretched with large mortgages and young families, who have already been sufficiently squeezed to push for pay increases – in favour of people in the 40-80 age group, who may or may not save more.

UK economic objectives must be to restrain consumption and import growth and to channel a large proportion of a sustained and growing national output into exports. There is presently the risk that high interest rates and sterling strength will reduce consumption growth – but not induce an offsetting rise in exports. Unit production costs may also increase as a result of a slowdown in volume output.

First, in addressing what combination of measures is suitable, the option exists (in addition to rationing credit by price) of controlling the availability of credit through operating on bank ratios (a policy presently being implemented successfully in Spain). This is not to recommend unwieldy direct credit controls. The significant flaw in the early 1970s' "competition and credit control" was to conclude that rationing credit by price was the only (let alone the most desirable) monetary option.

Second, more could and should be done to stimulate personal savings. The improved PEP (personal equity plan) legislation is still too bureaucratic to have enough immediate impact. A more radical approach, extending capital gains tax roll-over relief to the movement of investment among all forms of assets (be they securities, property or other), but levying capital gains tax (CGT) on the accumulated gains when savings are consumed, should be a direct (and fair) stimulant to a higher, sustained level of personal savings.

If the UK manufacturing sector is to succeed in taking up the slack and speedily exporting more, it needs a more competitive exchange rate – arguably this should be about DM2.70 against our key trading partners in the EC – where the total UK trade deficit is close to the deficit with the rest of Europe.

While a depreciation of the exchange rate of this size could, in theory, add some 2 per cent to the rate of inflation, the falling trend in commodity prices, together with the relief to wage inflation which lower interest rates would permit, and the unit production cost advantages of keeping up output, should go a long way towards offsetting the effects of a lower sterling.

The experience and policies of the US over the last two years provide valuable insights for the UK predicament. Consumption growth has been slowed successfully through monetary tightness, but without "Latin American" interest rates. An acceptable level of overall economic growth has been maintained via a sharp pick up in the export sector, directly as a result of the dollar's depreciation since 1985. US inflation has remained surprisingly moderate.

The UK's problems are not those of the 1970s, which (arguably) required the 1980-1981 recession. We are now in danger of being sucked into an old fashioned "stop-go" recession similar to the early Wilson era, in which supporting sterling becomes the main policy objective, whatever the costs. It is time for a policy re-think before Britain's great economic progress throughout the 1980s is materially threatened.

Howard Flight,
Guinness Flight,
PO Box 442,
32 St Mary At Hill, EC3

The cap looks back to front

From Mr Hyman Wolanski.

Sir, The Government wishes to restrict tax relief in respect of approved pension schemes by introducing a salary ceiling (£60,000 a year, subject to increases in line with price inflation) on earnings which qualify for benefits. There has been much critical comment on these proposals, but almost no comment on the alleged quid pro quo for the imposition of this salary ceiling – that is, the introduction of unapproved schemes (which can be funded or unfunded) to provide unrestricted benefits on earnings above the salary ceiling.

But the proposed tax treatment of unapproved schemes which are funded is unjustifiable, and will result in very few, if any such schemes being established.

It is proposed not only to tax the investment income of such schemes, but also to tax the members on the employers' contributions to the schemes. The resulting benefits, however, will be tax-free. Surely this is back-to-front taxation – the members would be taxed on the benefits long before they actually receive them.

Employers seeking to set up such an arrangement will be under pressure to increase the members' gross earnings solely to compensate for the income tax the members will have to pay on their employers' pension contributions. This would lead to a distortion of corporate salary structures, and therefore an employer seeking to provide retirement benefits on earnings above the salary ceiling would have to resort to an unfunded arrangement.

Unfunded schemes will avoid the bizarre tax treatment of funded schemes, but they suffer from the serious disadvantage that they provide no security at all for members if the employer's business fails – unless some type of insolvency insurance can be introduced.

Would it not be better to encourage the introduction of funded arrangements for earnings above the salary ceiling by the simple change of not taxing the members of unapproved funded schemes on the employers' contributions, but instead, taxing them on the resulting benefits when they are actually paid?

Hyman Wolanski,
Wolanski & Co,
4 Bloomsbury Place, WC1

UK COMPANY NEWS

Edelman's conditional 185p offer gives £755m valuation

Storehouse dismisses bid approach

By Maggie Urry

STOREHOUSE, Sir Terence Conran's retail group, yesterday dismissed a conditional bid approach from Mr Asher Edelman, the American arbitrageur who has built up an 8.1 per cent holding in the group.

Mr Michael Julien, group chief executive of Storehouse, said the approach was "neither an offer nor a firm intention to make an offer". If Mr Edelman made a firm offer it would be considered, but until then Storehouse saw "no purpose in meeting Mr Edelman".

Mr Edelman said the offer, which among other things was conditional on Storehouse recommending it, would be worth 185p a share. That would value the Habitat, Heal's, BhS, Mothercare and Richards group at £755m.

Storehouse shares rose 8p to 162p but closed below the highest price reached during the day as investors' hopes for a firm bid faded.

Mr Edelman has been pursuing Storehouse since December, when he first wrote to Sir Terence asking for a meeting. Storehouse has refused to meet him and Mr Julien has repeatedly said Mr Edelman should "put up or shut up".

In March, Mr Edelman said he was considering making a bid and the Takeover Panel said an offer period had started.

Yesterday's approach was made in a letter, delivered by hand to Storehouse at lunchtime. Mr Edelman said he hoped Storehouse would agree to meet him but he had no further comment to make. Yesterday he left for New York.

The letter said Storehouse's financial performance had "dramatically deteriorated" since Mr Edelman first bought Storehouse shares before Christmas last year. On June 1 Storehouse revealed a sharp drop in annual profits from £114.9m to £11.3m after exceptional provisions of £49.4m.

The other conditions in yesterday's letter were that Sir Terence Conran should accept the offer for his 7.2 per cent shareholding, that certain information was given to Mr Edelman, and that Mr Edelman succeeded in finalising finance for the bid.

Stockbrokers suggested that Mr Edelman was really trying to flush out a buyer for his shares, which are now worth much less than the average price he paid for them, thought to be between 185p and 190p.

Before the stock market crash in 1987 Mountleigh, a property company, offered to pay 445p a share for Storehouse, also conditional on the board's agreement. That approach was refused. It was followed by a bid from Benlox, a tiny engineering group, which Storehouse fought off.

Coincidentally, it was disclosed yesterday that Mr Julien bought 10,000 Storehouse shares on Thursday at 155p a share.

See Lex

Restructure hits Brown Shipley profits

By David Lascelles, Banking Editor

BROWN SHIPLEY Holdings, the City merchant banking and financial services group, suffered a sharp drop in profits last year, largely because of the costs of a major restructuring effort, and weaker financial markets.

However Mr John van Kuffeler, the group's new chief executive, said that as a result of the reorganisation he was now "very positive about the future".

Pre-tax profits were £2.95m in the year to March 31, down from £6.91m last time, while at the operating level they were £5.74m, down from £10.41m. Taking into account the profits from sales of subsidiaries, the group made a total after tax profit of £4.55m, up from £4.2m.

The directors are recommending a maintained final dividend of 6.5p, bringing the total to 10.5p, the same as last year.

Since Mr van Kuffeler took over, Brown Shipley has rationalised many parts of its business, sold two subsidiaries and reduced staff by 13 per cent. Central overheads are also down by 25 per cent. Mr van Kuffeler said yesterday that he believed the group was now better balanced and able to move forward.

The total cost of reorganisation and redundancies was £1.2m.

Because of the changes, Brown Shipley has decided to disclose greater details of its performance than before. It also said that the latest year had seen no transfers to or from inner reserves.

Among the group's three operating divisions, merchant banking's pre-tax profits fell to £5.6m from £7.6m. Within that figure, there were improved contributions from lending, lease management and offshore operations, but declining ones from corporate finance and development capital. US investment banking's contributions were unchanged. Treasury operations made a loss, but following staff changes are now back in profit.

Insurance broking did well, earning £3.4m, up from £2.7m.

Investment management and stockbroking suffered from the slump in the stock markets, reporting a loss of £2.3m, compared to a small profit of £136,000 the year before. Most of this loss was suffered by the investment management side, but Mr van Kuffeler said the division had managed to retain its market share and was now trading profitably again.

Overall, Brown Shipley said: "We have a strong and liquid balance sheet and have reduced significantly the costs of our business. The restructuring of the group is now substantially complete, and the current year has started well."

● **COMMENT**

There is no mistaking the more vigorous style of Brown Shipley's new management, and its determination to identify and develop profit opportunities. The pain of the last few months appears to be paying off: even the stockbroking side is now managing to stay in the black despite the recent fall-off in bargain volumes. The group's businesses are comfortably diversified both in terms of product and market, though it is noticeable that the strongest contributors to profit continue to be the most traditional elements – lending and insurance broking – so proof is still needed that ventures into securities or US corporate finance can earn their keep. Gone are the days when Brown Shipley's shares were buoyed by takeover talk: over 40 per cent of the stock is now in the hands of continental friends. So the market will be focusing on performance to judge price and value. The shares gained 2p to 353p on the results where they yield around 3 per cent net.

BDDP to let bid for BMP lapse

By Nikki Tait

THE LONG-RUNNING bid battle for UK advertising agency and marketing services company, Boase Massimi Pollitt, finally moved closer to resolution yesterday as the French predator, Boulet Dru Dupuy Petit, announced that it intended to allow its leveraged offer for the group to lapse.

This appears to leave the way clear for BMP's white knight, the New York-based Omnicom group. Omnicom has already topped BDDP's 345p a share cash offer, by bidding at 365p a share, and won a recommendation from BMP.

Yesterday, BDDP said that it believed its own offer fully valued the group. Its advisers said that funding had not been a constraint and the French company could have matched or topped the Omnicom bid if it wished. BDDP has built up a 15.6 per cent stake in BMP and, although it has not yet sold this, stands to makes a profit of around £4m before expenses.

Omnicom, meanwhile, moved quickly to cement its position. It bought a further 6.83m BMP shares in the market, equivalent to 19.9 per cent. Together with shares which it already owns, plus irrevocable undertakings to accept the offer, this gives it control of 38.5 per cent of BMP.

Mr Martin Boase, chairman of BMP, said he was delighted with the BDDP decision. BMP shares eased 4p to 364p.

Sea Containers searching for alternatives to break-up bid

By Andrew Hill

SEA CONTAINERS, the Bermuda-registered containers and ferry group, is searching for alternatives to the $324m (£230m) break-up bid from Tiphook and Stena. Possibilities include a friendly counter-bid for the Bermuda group or a leveraged buy-out.

The group yesterday condemned the offer as "unfair and opportunistic", adding that it was "inadequate and not in the short or long term interests" of shareholders.

It also suggested that Stena, a privately-owned Swedish ferry operator, might have failed to disclose certain material information about its past and current activities which could make the UK and Bermudian governments unwilling to give the bid the go-ahead. No further details were revealed.

Tiphook, a UK container rental group, and Stena, are offering $50 a share for the Bermuda group, which owns Sealink British Ferries. But Sea Containers shares have been more than $60 each, rising again yesterday.

Among alternatives to the bid being explored by Sea Containers are financial restructuring, or recapitalisation; the sale of interests in the company or its subsidiaries; the wooing of a "white knight" which could mount a friendly counter-bid; and a leveraged buy-out.

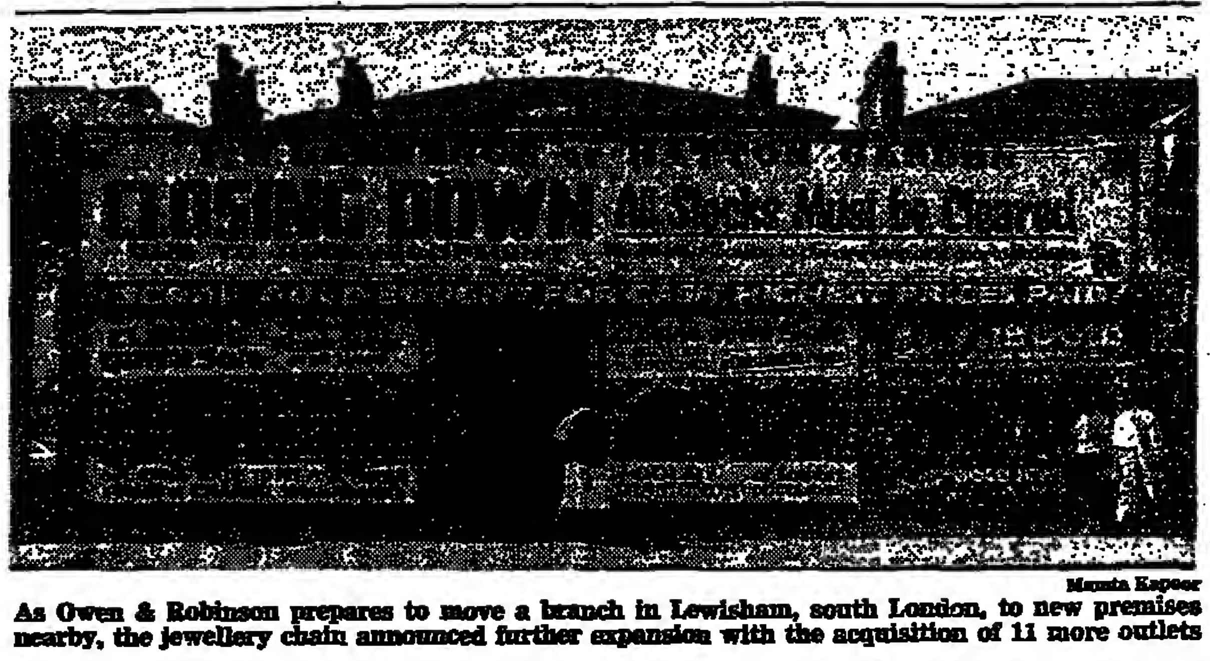
The group said it aimed to "enable shareholders to realise greater value for their common shares while at the same time giving them the opportunity to remain shareholders for the longer term should they wish."

Sea Containers also made clear that it would not waive certain bye-laws which require a predator to win acceptances representing 90 per cent of the shares before amalgamating with its target.

That could lead to a fierce legal battle, because 28 per cent of Sea Containers' stock is in friendly hands. Mr James Sherwood, the group's genial president, holds 7.1 per cent of the shares, and Sea Containers' subsidiaries and management speak for a further 20 per cent at least, although recent purchases by the group are subject to legal action in Bermuda.

Mr Sherwood waited until the 10-day deadline was nearly up before rejecting the offer, issuing an announcement in New York well after the close of London trading.

Stena already owns some 8.2 per cent of Sea Containers, a holding which has itself been challenged by the Bermuda group in the US courts.



Mamta Kapoor

As Owen & Robinson prepares to move a branch in Lewisham, south London, to new premises nearby, the jewellery chain announced further expansion with the acquisition of 11 more outlets

Isosceles claims over 23% of shares in Gateway

By Nikki Tait

Isosceles, the newly-formed company which is making a £1.87bn leveraged bid for food retailer Gateway, yesterday confirmed that it picked up 144.6m shares, or 16.2 per cent, in its target on Thursday.

The bidder already owned a 5.6 per cent stake, and once acceptances already received and shares owned by parties acting in concert with it are included, Isosceles claims to control over 23 per cent of its target.

The bidder is understood to have made some extremely modest additional purchases yesterday morning, but trading volume was slight, with well below one per cent of Gateway's shares changing hands.

The price closed at 210½p, which is ½p above the offer price on the table from Isosceles.

'Disappointing' rise to £510,000 at acquisitive Owen & Robinson

By John Ridding

OWEN & ROBINSON, the Essex-based pawnbroker and retailer of chunky and cheerful jewellery, had an eventful 1988.

It weathered a robbery which nearly cleaned out its wholesale business and aborted an acquisition at the last moment when the target company abruptly raised its asking price.

Now, under new management, it is buying property and jewellery businesses and issuing a flurry of shares to finance the deals, reduce borrowings and boost working capital.

The acquisitions, which comprise Gordon & Seymour, a retail jeweller based in Scotland and the Midlands, for £5m, and three property companies for a total of £3.6m, are the first purchases since Mr Maurice Dwek became chairman in February.

His appointment followed the amassing of a 24 per stake in Owen & Robinson by Seaforth Investments, a private leisure and lighting company, of which Mr Dwek is a co-owner.

Yesterday's announcement of the acquisitions coincided with the release of the company's results for the eight months to January 31.

Pre-tax profits for the period were £510,000, compared with £358,000 for the year to May 31 1988. Mr Dwek described the rise as "not particularly pleasing," because the figures did not include the first four months of the trading year when business is invariably flat and in which a material loss is always incurred.

Earnings per share were 14.5p, against 12.69p, and there is a total dividend of 1.5p, the same as the figure for the previous full financial year.

Mr Richard Ratner, former chairman and now a non-executive director, said that the performance reflected information problems concerning stock and the downmarket image of a few of its outlets. In addition, the previous year included a contribution from the burgled wholesale business.

The company said that a writ had been issued against its insurers concerning the robbery and that it was confident of a successful conclusion.

The purchase of Gordon & Seymour reflects the group's strategy of increasing its retail outlets to between 50 and 60 shops. Following the acquisition, the number of premises owned will be 34 and this encouraged the company to develop the property side of the business.

Mr Dwek said that the new shops, which trade as The Gold Centre, complement the existing businesses extremely well and that after an initial integration period significant benefits would accrue.

BMT progress continues with £6.55m turnround

By Peter Pearse

Business Mortgages Trust, the commercial mortgage company for which National Home Loans made a £10m paper bid on June 6, reported a £6.55m turnround from losses of £3.92m to pre-tax profits of £2.63m in the year to March 31.

Operating income fell slightly to £11.83m (£12.31m) and administrative and other expenses were reduced to £2.96m (£4.35m). The company over-provided for bad and doubtful debts in 1987/88 with its debit of £5.05m and brought back a credit of £685,000 this time. The board has decided to retain the £1.4m general provision. Earnings were 9.9p (losses 24p) per share.

The company said that it was a very satisfactory outcome for the year and represented a continuation of the progress reported at the interim stage towards a full recovery from the 1987/88 difficulties. The board expects to resume dividend payments in the current year.

BMT said that the results contained a number of items that it did not expect to recur, including the recoveries and net releases from bad and doubtful debt provisions. Stripping this out left BMT's banking business with earnings per share of about 5p.

The board said it would write to shareholders about NHL's offer as soon as practicable. It added that it intended to propose that the company's name be changed from Trust to Bank. The current year had started well.

Brit Arrow makes legal error in share buy-back

By Andrew Hill

BRITANNIA ARROW, the fund management and financial services group, has had to sell 1.25m of its own shares back to their original owners, having failed to ask preference shareholders' permission to buy in stock.

The investors who sold have agreed to repay the purchase price, plus interest, and give up their right to the group's final dividend for 1988.

A year ago, ordinary shareholders authorised Britannia, which is headed by Lord Rippon, to buy back up to 34m of its shares. The group then bought shares representing less than 0.5 per cent of the equity between November and January.

But when the company called a special shareholder meeting two months ago to renew and extend the authority, lawyers said preference shareholders should have voted on the initial proposal and the meeting had to be cancelled.

Mr Ratan Engineer, Britannia's finance director, said yesterday: "This is a hugely technical legal point, but obviously it should not have happened."

Buying back shares is fairly common practice in the UK. Shares bought in by UK companies are cancelled, improving the value of the remaining investors' holdings, and strengthening friendly stakes as a defence against takeovers.

The shares were bought for between 103p and 109½p, compared with yesterday's closing price of 114p.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covd	Gross Yield	P/E Ratio
[illegible]	F.P.	-	106	93	Abtrust New Dawn Inv. Tst.	100					
[illegible]	F.P.	-	[illegible]	[illegible]	Do. Warrants	[illegible]					
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20.6
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.2
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.8
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	19.3
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.0
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	17.3
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	48.5
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.2
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	18.0
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.0
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	40.0
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14.8
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.8
[illegible]	F.P.	26/5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	28.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	
100p	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	+½
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	-¼
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	
[illegible]	£25	-	[illegible]	[illegible]	[illegible]	[illegible]	
100p	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
6	Nil	8/9	9½pm	7½pm	Bear Brand	8½pm	+½
‡175	Nil	-	115pm	75pm	CLF Yeoman	105pm	+5
40	Nil	-	13pm	12pm	Fairway London	12pm	
265	Nil	-	20pm	8pm	Gold Greenlees Trott	18pm	-2
30	Nil	-	7pm	2pm	[illegible]	2pm	-1
17	F.P.	7/6	18½	17	Mecon Hotels	17	
60	Nil	-	11pm	10pm	[illegible]	10pm	
115	Nil	5/7	70½	6½	[illegible]	[illegible]	
200	Nil	-	6pm	2pm	T & S Stores 5p	[illegible]	-½
	Nil	-	46pm	12pm	[illegible]	[illegible]	+¼

[illegible]

TRADITIONAL OPTIONS

● First Dealings May 30
● Last Dealings Jun 9
● Last Declarations Aug 31
● For settlement Sep 11

For rate indications see end of London Share Service

Calls in Tuskar, Int Media, Amstrad, Resort Hotels, London Untd Invest, HK Bank, Leisure Invest, Cresta Hldgs, Mrs Fields, MAI, Bula Res, Casket, Body Shop, Control Secs.

COMPANY NEWS IN BRIEF

ARCHIMEDES INVESTMENT Trust: Net asset value 523.19p (447.06p) at April 30. Net income for the half year £105,498 (£89,876) after tax of £36,101 (£33,502), for earnings per share of 8.61p (7.34p). Interim dividend 6.25p (5.8p).

ASB BARNETT Kinnings, Third Market accountancy recruitment consultancy, has acquired certain assets of the Smart Group for £15,000 cash for office equipment and goodwill and a further profit-related deferred cash consideration of up to £85,000.

AVONMORE FOODS is buying 85 per cent of Irish Country Bacon from the major shareholders for I£3.34m, and has offered the same terms for the remainder. ICB is largest pigmeat processor in Ireland; turnover £49m in 1988 but loss before tax £355,000.

BRENT WALKER Group is reorganising its brewing, retailing and spirits businesses following the recent acquisitions of Whyte and Mackay distillers, Camerons and Tolly Cobbold. Its drinks business will be split into three operating companies: Brent Walker Inns and Retail, Brent Walker Brewing and Trading and Whyte and Mackay Distillers.

CASTROL is paying just over £2m for Berol Verkstadskemi, maker of metal working and industrial cleaning fluids and corrosion preventives. Its main markets are Sweden and Denmark.

COMMUNICATION Corporation, which is dealt under Stock Exchange rule 535 (2), reported pre-tax profits of £245,432 (£17,272 loss) for 1988. Turnover rose to £1.39m (£1.13m), and after tax of £83,720 (£8,192) earnings per share were 2.02p. A maiden dividend of 0.2p is proposed.

CRAMPHORN is to close its central distribution and wholesaling operations based at Cuton Mill, Chelmsford. Its net losses for the year to July 2 1988 were £32,000 and a similar loss is expected for the current year to July 1.

DALGETY has acquired Pin-It Pastry. Turnover is currently £1.6m and net assets £360,000.

DENCORA is selling industrial units at various locations in East Anglia for £5.65m. Contracts exchanged for the sale of the second phase of business units at Dukes Park, Chelmsford, to TSB Group Pension Trust for £3.8m.

DOMESTIC AND General is acquiring Copleys Trust from Rea Brothers for £2.05m cash. Pre-tax profit £365,000 for 1988 and net assets £1.15m. Borrowings £5.5m and Domestic intends to refinance the outstanding balance on competion.

ECONOMIC FORESTRY has exchanged contracts to purchase Great Haseley Industrial Estate for £1.63m. Its head office is located there.

EGERTON TRUST has assigned its option to acquire the Brighton-based property group, City Estates Management to the principal shareholder of CEM for £1.75m in cash. The option was acquired by Egerton in May 1987 for a consideration of £250,000 satisfied by the issue of ordinary shares in Egerton.

EVERED has purchased the concrete block making activities of Mackenzie Holdings, based in Stornoway, Isle of Lewis.

FASHION AND General Investment (investment trust): Net assets 608.8p per share as at March 31, up from 564.8p prevailing a year earlier. Final dividend unchanged at 11.7p making 19.7p (21.7p) for the year.

GANDALF TECHNOLOGY: Third quarter pre-tax income £1.05m (£2.34m) for the 14 weeks to May 6 1989. Turnover £21.17m (£21.08m). Earnings 0.04p (0.09p).

GKN is expanding its vehicle suspension systems via the acquisition of Northampton-based Tadchurch for £360,000.

GOODMAN INTERNATIONAL has acquired the two meat processing operations of Tara Meat Packers. The purchase was made through Goodman's subsidiary Anglo Beef Processors, which will now have 10 plants in the UK.

GROUP DEVELOPMENT Capital Trust (investment trust): net asset value at March 31 1989 was 40p (35.4p). Profit after tax for six months to that date £8,960 (£170,615). Earnings 0.04p (0.72p) per share. Company said it was unlikely to pay more than a token dividend (0.7p) for the current year.

HARMONY LEISURE Group has bought the Lenwade House Hotel in Norwich for £715,000 cash. This brings the number in Harmony's chain to five.

HARTWELL GROUP: proposed acquisition of Charles Clark Group and Ford Slater Group not being referred to Monopolies Commission.

HYMAN has paid £249,851 in cash and shares for a 50 per cent holding in Chelec, a supplier of materials to the construction industry. Chelec returned pre-tax profits of £31,077 for the year to end-June 1988. Net assets at year-end were £31,313.

JOURDAN (THOMAS) is buying Himax Products and Handimail for a maximum of £2.13m, the initial £1.6m being satisfied by an issue of shares with further profit-related payments. The 1.43m initial consideration shares have been placed and a further 170,000 shares have been placed to raise about £190,000 to fund expenses of recent acquisitions and some existing commitments.

LAMONT HOLDINGS has entered into a conditional contract with Brookmount to sell the property interests of its Connswater Properties subsidiary in east Belfast for £12.8m cash. At the annual meeting Sir Desmond Lorimer, chairman, said at the annual meeting that by the end of April the group had experienced a slight fall in turnover but by holding and improving margins and with improved results from other activities including rental and interest income the group has so far been able to maintain its position.

MAGNET: The penultimate closing date for the £629m management buy-out bid pased yesterday without an announcement as to the level of acceptances. Bankers Trust, advisers to Mr Tom Duxbury and his boardroom team, indicated that there would be an announcement on Monday. Current levels of acceptances for the convertible and ordinary offers stand at 37.9 and 69.8 per cent respectively.

MMC CLEARANCE: The proposed acquisition by Lynrose, a wholly-owned subsidiary of British Steel Pension Fund, of the 70.04 per cent interest in the Smaller Companies International Trust it does not already own, will not be referred.

QUEENS MOAT Houses has acquired the freehold of the 142-bedroom Nachtegaal Hotel, situated between Amsterdam and The Hague, for Fl 25.2m (£7m).

RALSTON INVESTMENT Trust: Net asset value 92.6p at end-March 1989. Revenue for five-month period from October 25 was £274,381 after tax of £94,050. Earnings 1.14p per share and interim dividend 1p.

SMALLER COS International Trust: Lynrose, a company held in trust for the British Steel Pension Fund, has extended the offers for SCIT's ordinary and preference capitals not already owned by the BSPF until June 20. Lynrose is now interested in, or has received acceptances for, 69.78 per cent of SCIT's ordinary capital and 95.34 per cent of the prefs, representing in aggregate 71.84 per cent of the total voting rights.

STAR COMPUTER Group has bought the outstanding 49 per cent of Summit Computer Maintenance and of Summit Computers from David Beer and Dennis Badman. Aggregate consideration is £135,816 cash, of which half paid.

WSP HOLDINGS has acquired BSDC, a Bristol-based building services consultancy, for an initial £130,000 in cash, representing warranted net assets, together with £75,000 to be satisfied by the allotment of 61,476 shares at 122p each. Further deferred consideration is payable over the next three years, and a profit-related consideration may be payable, both of which will be satisfied in shares to a maximum £195,000.

European launch for Serif video game

By Andrew Hill

LOCK UP your children, throw away the television set, and prepare for the arrival of the latest cult game.

Just when you thought it was safe to go back into the living room, Nintendo – a video game from Japan via, inevitably, the US – is set to hit Europe's TV screens.

Serif Cowells, the UK group best known as the European manufacturer and distributor of the cult board game, Trivial Pursuit, has just won European distribution rights for Nintendo.

The popularity of TP, as Serif calls the general knowlege game, is on the wane in Europe. Although last year's sales of 3.2m units were the best since its European launch in 1985, it is becoming an "evergreen", like Scrabble or Monopoly – an old favourite to be brought out by the family at Christmas.

Nintendo, hopes Serif, will provide the USM-quoted group with a replacement source of revenue. But as a sociable, even educational, dinner party game Nintendo may leave a little to be desired.

Modelled on arcade video games, it is based round a control console, and a selection of game cartridges, mainly confrontations between the player and the computer graphics – be they boxers or gunfighters – complete with full colour and sound. Predictably, the game – aimed at seven to 14-year-olds – has found its biggest market among boys.

Serif accompanied this week's announcement with some bone-chilling facts from the US. Nintendo has already gained about 70 per cent of the total electronic games market there, one in five US homes now has the system, and 35m control consoles and 70m game cartridges have been sold in the last three years worldwide.

Getting in on the cult will cost European parents more than their US and Japanese counterparts.

Nintendo has actually been on sale in the UK since 1987 – principally through Dixons and Boots: the standard control box, which plugs into any television screen, costs £99, and includes one game, while the more popular de luxe model is some £149, with "zapper light gun" and two games.

But the real marketing coup is the fact that individual games appear on separate cartridges. Serif, which persuaded Europeans bored with the original Trivial Pursuit to buy new editions at £25 each, hopes parents will part with £20 or £30 a time to add new games to the system and keep their offspring quiet.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Brown Shipley ....fin	6.5	-	6.5	10.5	10.5
D Mail & Gen Tst.......int	25	-	22	-	73
Elga Group ....fin	1.1	July 27	0.3	1.5	1
Heavitree Brwy ....int	3	-	2.4	-	14
Hick'g Pentecost ......fin	1.5	Oct 3	0.5	2	0.5
Shaw (Arthur) § ....fin	2.7	Aug 23	1.3	3.8	1.3
Somic ....fin	2.25	-	2.25	3.25	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

UK COMPANY NEWS

Holders criticise board at Chloride

By Nikki Tait

SMALL SHAREHOLDERS in Chloride yesterday launched a 90-minute assault on the board of the troubled battery group and its recent trading performance, at an extraordinary general meeting in London.

The meeting had been called to approve the sale of the group's motive power operations to Compagnie Générale d'Electricité for £55m. In the event, the motion was carried on a show of hands - while proxy figures announced at the meeting also suggested a very heavy balance in favour.

But the vote was only taken after about a dozen private shareholders rose to their feet to repeatedly question Mr Ray Horrocks, Chloride chairman, about the possible alternatives to the motive power sale; the state of the US-based Altus business which Chloride bought last year; and the general fashion in which the company had been run.

Only one institution, unit trust group M&G, was represented at the meeting. Its representative, Mr Richard Hughes, rose as questions were drawing to a close. M&G, which holds just over 10 per cent of Chloride, was concentrating on the future for the company, he suggested, and believed it was in the best interests of its investing unitholders that the motive power sale should go ahead. Accordingly, it would vote in favour.

The meeting started with Mr Horrocks stating that he "made no pretence that the reasons for the sale are happy". But Chloride had been faced with sharply increased borrowing, which he attributed mainly to "strategic acquisitions" and the unsatisfactory trading picture". The group has said that borrowings rose by over £50m, from £28m, in the year to end-March.

He added that the planned sale of Exide Europe, the loss-making European car battery business, was insufficient to relieve the pressure, but stressed that all options had been considered before the motive power sale was decided on.

He defended the sale on the grounds that a fair price was achieved, and that it did not neglect the strategic position as far as Chloride future was concerned.

The first shareholder response came from Dr Gillibrand, a long-standing dissident voice at Chloride meetings. He explained his attempts to lobby the largest institutional shareholders in search of an alternative solution. However, he said he had agreed when he met the Chloride board that, if this failed - as it had - would not oppose the motion at the meeting.

But the attack was quickly taken up by other small shareholders. Was there a danger of the company going to the wall if the sale was approved, asked one. That, said Mr Horrocks, was "somewhat extreme but potentially possible".

Had the company got enough for the motive power business, asked another. Chloride suggested that it had discussions with other parties as well as its professional advisers.

Criticisms of the central costs of the group, the past use of management consultants, the board's general lack of background in the battery industry, and the potential compensation which might be paid to Mr Kent Price, the group's former chief executive who departed earlier this year, followed.

Other shareholders went on to question the acquisition of a controlling 51 per cent stake in Altus last August. Its subsequent performance was described by Chloride as "disappointing" in its document to shareholders.

Chloride maintained that the business had been hit by reduced US defence spending and the problem of moving its operations to Mexico. However, directors conceded that Altus made losses last year, although they said most of the losses were made before Chloride bought the stake. They said that in the current year overall, they expected to see a profit from Altus.

That disclosure prompted Dr Gillibrand to suggest that the meeting should be adjourned, giving shareholders a chance to consider the information. After some strong-voiced opposition from Mr Horrocks, this was eventually put to the vote, but lost on a show of hands.

The vote on the sale motion followed swiftly and was duly passed. After over one and a half hours, the meeting was finally concluded.

Trevor Humphries

Ray Horrocks, chairman of Chloride, meets shareholders at the annual meeting

Blue Arrow sells Amber Day stake

By Philip Coggan

BLUE ARROW, the employment agency, has sold the 9.6 per cent stake in Amber Day Holdings, the men's wear group, which was acquired when Mr Tony Berry was executive chairman.

The shares were sold as part of a placing of 7.87m shares, representing 17.8 per cent of the group's equity. The placing was carried out by CL-Alexanders Laing & Cruickshank.

The stake in Amber Day was one of a number of diversifications carried out when Mr Berry was chairman.

Mr Berry's successor, Mr Mitchell Fromstein, has criticised the departures from the core business. However, it appears that Blue Arrow earned a profit on the deal. The shares were acquired at 42½p and were placed "around the market price" of 52p.

Mr David Atkins, the former deputy chairman of Blue Arrow, has resigned from the Amber Day board.

New Throgmorton net assets rise

Net asset value of New Throgmorton Trust (1983) was 287p per capital share at year-end March 31 against 242.7p a year earlier. Tax took £763,000 (£757,000), net revenue was £2.55m (£2.34m) and earnings per share 6.51p (5.98p). Final 4.75p (4p) making 6.5p (5.5p).

Lyons Irish profits increase to I£5.6m

Lyons Irish Holdings announced pre-tax profits up from I£5.27m to I£5.58m (£4.8m) for the 12 months to March 4. Turnover was £34.31m (£32.97m). Earnings per share came to 33.2p (29.7p) and a proposed final dividend of 7.2p lifts the annual total 1p to 11p.

BET makes first acquisition in US

BET, the international services group, is paying an undisclosed price for New York-based Arcade Cleaning Contractors and Arcade Building Services, its first US office cleaning and building maintenance business.

Disposals boost Daily Mail Trust to £182m at six months

By Philip Coggan

NET EXCEPTIONAL credits of £162.8m boosted interim pre-tax profits at the Daily Mail and General Trust to £181.8m in the six months to March 31.

During the period, DMGT, which had previously been an investment company, acquired the 50 per cent of Associated Newspapers Holdings that it did not already own. Associated Newspapers was included in the figures as an associated company for one month and as a subsidiary for five.

As part of the process of repaying the £530m loan facility incurred in purchasing the stake in Associated, DMGT has disposed of a number of investments, including half its interest in Whittle Communications and its shares in Consolidated-Bathurst.

The disposals created an exceptional credit of £179.7m and an extraordinary credit of £24.9m. However, the exceptional gain was partly offset by £16.9m of redundancy and other costs associated with the relocation of the group's London-based newspapers.

Group debt at the end of the March was £316m and the interest charge in the first half was £11.2m After the end of the period, the group has sold National Opinion Polls for £16m and has agreed to reduce its stake in American Lawyer Newspapers.

Associated Newspapers increased its *pro forma* trading profits on continuing activities from £29.3m to £32.2m in the interim period. Interim trading profits for DMGT were £23.4m and profit before exceptional items was £19m on turnover of £282.5m.

Circulation in October-March fell slightly, compared with a year earlier, at the Daily Mail and Evening Standard and increased slightly at the Mail on Sunday. The respective circulations were 1.75m, 474,000 and 1.96m. DMGT said that the papers had continued to benefit from cost savings arising from the redundancy and relocation programmes.

Earnings per share before exceptional items were 146.5p and after exceptionals 1355.5p. Comparative figures are meaningless because of the takeover of Associated Newspapers. The interim dividend is 25p.

● COMMENT

DMGT's decision to absorb Associated may have eliminated the discount to assets but the consequent programme of disposals has left the combined company highly dependent on the newspaper business. The provincial newspapers are doing well but the nationals, though well positioned, are fighting it out in a fiercely competitive market, as the speedy demise of the Mail and Femail supplement shows. It must also be doubtful whether advertising revenues can grow very fast in the current economic climate. The shares are tightly held – 72 per cent of the voting equity is in the hands of the Harmsworth family – and heavy in price at £58 for a non-voting share. Leaving out the exceptional items, the non-voting shares are on a prospective p/e of over 15, a rating which is unlikely to attract many buyers.

Belhaven gets taste of Mexico

By Vanessa Houlder

BELHAVEN, the restaurant group, is buying Chi-Chi's Mexican Restaurantes, a Mexican theme restaurant group, from Ranks Hovis McDougall, the food and bakeries group and Chi-Chi's.

It is paying £4.76m in cash and is taking on about £3.9m in bank debts.

Chi-Chi's Mexican Restaurantes was set up in 1985 as a joint venture between Ranks Hovis McDougall and Chi-Chi's. It has three restaurants in Leicester Square, (London), Virginia Water, (Surrey), and Gateshead, (Tyne-and-Wear).

Belhaven, which currently operates Deep Pan Pizza, Garfunkel's, Biguns and Filling Station, said the acquisition would form the basis of a fifth division of theme restaurants.

Mr Phillip Kaye, chief executive, said he expected to open two more restaurants this year. The chain, which can use the Chi-Chi's name, logos and recipes for just three months, is likely to be called El Chunga.

RHM said that although it had been reasonably pleased by Chi-Chi's progress, it had expanded rather slower than hoped and was a very small activity in relation to its other activities.

The venture made a pre-tax loss of £248,000 on sales of £4.66m in the year to September 4 1988. This loss was incurred after allowed for £680,000 non-recurring costs and £462,000 central administration costs, which are expected to be substantially reduced this year. Its net assets are about £3.3m.

At its annual meeting yesterday, Belhaven's shareholders agreed to change its name to City Centre Restaurants, to reflect its emphasis on its core restaurant business following the sale of its brewing interests to Control Securities at the end of last year.

● A meeting is understood to have taken place between Anglo, the company which is being used by Sir James Goldsmith as a vehicle for his return to the UK corporate scene, and Ranks Hovis McDougall, the food and bakeries group, writes Nikki Tait.

Last month, a newly-formed company called Sunningdale, in which Anglo holds a 35 per cent stake, acquired a 29.9 per cent interest in RHM from the food group's former bid target, Goodman Fielder Wattie. Aside from Sir James, Sunningdale's backers include Mr Jacob Rothschild and Australian businessman, Mr Kerry Packer.

Neither side is willing to comment on the content of the meeting, although it appears to have been a fairly amicable occasion, and it seems possible that further contact may follow. Sir James himself is understood to have been present.

Rodime restructuring at advanced stage

By James Buxton, Scottish Correspondent

RODIME, the Scottish-based computer disk drive manufacturer, which recently announced heavy losses and replaced its top management, expects to give details of its financial restructuring by the end of next week.

Discussions with institutional investors, bankers and creditors had "reached an advanced stage," Rodime said yesterday. It refused to give more information.

The company is to move its centre of gravity back to Scotland from the US.

In early April Rodime revealed an after-tax loss of $25.6m (£16.3m) for the year to September 1988 and a further loss of $2.5m in the first quarter of the current financial year. In 1987 it lost $18.4m.

Shortly afterwards Dr Leonard Brownlow, chairman, and Mr Mervyn Brown, managing director, resigned. They were replaced by Mr Thomas G. Kamp as chairman and Mr Peter Bailey as managing director, both senior executives in the US disk drive industry.

The company then embarked *on refinancing talks with Bank* of Scotland, its principal bankers, and with Noble Grossart, the Edinburgh merchant bank.

Yesterday Mr Bailey presided over an extraordinary general meeting required under Section 142 of the 1985 Companies Act since net assets had fallen to less than half of called-up capital.

The brief meeting in Glasgow, conducted in a notably upbeat atmosphere, was adjourned until a further EGM is held at a date to be fixed to consider a refinancing package.

Mr Bailey said that as part of the restructuring of the company he intended to move its centre of gravity from Boca Raton in Florida to its original base at Glenrothes, Fife, while volume production would be concentrated at its Singapore plant.

Glenrothes would be the principal engineering centre and would continue to handle pre-production manufacturing. Boca Raton would concentrate on engineering and marketing for the US market.

Mr Bailey said that one of the company's strengths lay in the abilities of its engineers to enhance the capacity of existing equipment.

A large new market had opened up for Rodime with its development of high capacity 100 to 200 megabyte disk drives, used in mini-computers and small mainframes.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: Polish leader General Wojciech Jaruzelski meets Mrs Margaret Thatcher, the Prime Minister, at Chequers looking for help in obtaining an IMF loan.

TOMORROW: Elections in French South Pacific territory of New Caledonia for three regional councils which will take large degree of autonomy on July 14. Mr Ronald Reagan, ex-US President, starts five-day visit to UK. United Nations two-day conference on children's rights opens in Stockholm.

MONDAY: May provisional figures for retail sales; and for producer price index numbers. Spring survey of investment intentions of the manufacturing and service industries. NALGO annual conference opens, Blackpool, (until June 16). Association of District *Councils conference on community* charge in Scotland. Mr Mikhail Gorbachev, USSR President, starts four-day visit to West Germany. EC Foreign Ministers start two-day meeting, Luxembourg. EC social affairs council meets, Luxembourg. International conference on saving the planet, Paris. Figures for US advance retail sales.

TUESDAY: First quarter international banking statistics. Mr Ronald Reagan gives Churchill lecture, Guildhall. Building Societies Ombudsman annual report published. Commission for Racial Equality annual report published. Mr Reagan dines with Mrs *Thatcher, Downing Street. UN*-sponsored conference on disarmament resumes after six-week break, Geneva. UN two-day conference on Indochina refugees, Geneva. US April figures for manufacturing and trade - inventories and sales. French President François Mitterrand visits Poland (until June 16).

THURSDAY: Institute of Directors annual lecture given by Mr Nigel Lawson, Chancellor of the Exchequer. First quarter figures for UK balance of payments. Provisional figures of vehicle production for May. Labour market statistics: unemployment and vacancies (May - provisional); average earnings indices (April - provisional); employment, hours, productivity and unit wage costs; and industrial disputes. EC internal market council starts two-day meeting, Luxembourg. US merchandise trade balance. US figures for money supply (week ending June 7). Elections to European Parlia*ment in UK, Ireland, Denmark*, Holland and Spain (other member countries vote on Sunday). Abbey National share price to be announced. Irish general election. By-elections in Vauxhall and Glasgow Central. British Steel 1988-89 results.

FRIDAY: May figures for usable steel production. Public sector borrowing requirement for May. Index of output of the production industries for April. Tax and price index for May. *Retail prices index* for May. Church Commissioners annual report and accounts. Mr Henry Catto, US Ambassador, speaks at American Chamber of Commerce lunch, Grosvenor *Hotel, London. US May figures* for: housing starts; consumer price index; real earnings; capacity utilisation; and industrial production.

BANK RETURN

BANKING DEPARTMENT	Wednesday June 7, 1989	Increase or decrease for week
LIABILITIES	£	£
Capital	14,553,000	
Public Deposits	108,930,960	- 370,582
Bankers Deposits	1,369,715,367	- 197,566,947
Reserve and other Accounts	1,973,261,180	+ 8,425,580
	3,466,460,507	- 189,511,929
ASSETS		
Government Securities	983,906,529	- 58,797,868
Advance and other Accounts	853,245,957	- 197,097,226
Premises Equipment & other Secs	1,614,956,971	+ 73,280,842
Notes	4,114,451	- 6,922,689
Coin	236,599	+ 25,002
	3,466,460,507	- 189,511,929
ISSUE DEPARTMENT		
LIABILITIES		
Notes in circulation	14,835,885,549	- 343,077,311
Notes in Banking Department	4,114,451	- 6,922,689
	14,840,000,000	- 350,000,000
ASSETS		
Government Debt	11,015,100	
Other Government Securities	14,087,410,522	+ 714,363,711
Other Securities	541,574,378	- 1,064,363,711
	14,840,000,000	- 350,000,000

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold C	$ 380	46	6.50	20	15	-	-	$ 368.90
Gold P	$ 390	130	20	4	20 b	-	-	$ 368.90
		Jun. 89		Jul. 89		Aug. 89		
EOE Index C	Fl. 270	-	-	60	38	-	-	Fl. 306.69
EOE Index C	Fl. 275	35	32	-	-	-	-	Fl. 306.69
EOE Index C	Fl. 280	83	27 a	-	-	3	29	Fl. 306.69
EOE Index C	Fl. 290	282	16.30	47	19	-	-	Fl. 306.69
EOE Index C	Fl. 295	371	11.50	95	14	5	16.50	Fl. 306.69
EOE Index C	Fl. 300	884	7	381	10.50	21	13	Fl. 306.69
EOE Index C	Fl. 305	1540	3.50	195	8	-	-	Fl. 306.69
EOE Index C	Fl. 310	1149	1	875	5.50	-	-	Fl. 306.69
EOE Index C	Fl. 315	100	0.50	403	3.50	10	6.30	Fl. 306.69
EOE Index P	Fl. 290	-	-	43	1.80	-	-	Fl. 306.69
EOE Index P	Fl. 295	125	0.40	-	-	2	4	Fl. 306.69
EOE Index P	Fl. 300	522	1	366	3.60	2	5.80	Fl. 306.69
EOE Index P	Fl. 305	1023	2.20	78	5.60	-	-	Fl. 306.69
EOE Index P	Fl. 310	189	5.30 a	613	8	-	-	Fl. 306.69
EOE Index P	Fl. 315	50	8.30 b	18	10.80	-	-	Fl. 306.69
$/Fl C	Fl. 215	59	10.50 b	10	10.50 b	-	-	Fl. 226.15
$/Fl C	Fl. 220	213	5.50 b	130	6.80	-	-	Fl. 226.15
$/Fl C	Fl. 225	751	1.60	213	3.70	152	4.50 b	Fl. 226.15
$/Fl C	Fl. 230	115	0.50	9	1.80 b	5	2.60	Fl. 226.15
$/Fl P	Fl. 225	71	1.50	91	3.90	-	-	Fl. 226.15
$/Fl P	Fl. 230	1	5	60	6.70	-	-	Fl. 226.15
		Jul. 89		Oct. 89		Jan. 90		
ABN C	Fl. 45	1013	0.60	386	1.30	213	1.80	Fl. 42.50
ABN P	Fl. 45	61	2.50 a	532	3.70	-	-	Fl. 42.50
Aegon C	Fl. 100	165	3	49	5	-	-	Fl. 99.10
Akzo C	Fl. 150	510	4.20	91	8.50	4	11	Fl. 150.50
Amev C	Fl. 50	186	3.20	154	4.30	55	5.90	Fl. 52.30
Amev P	Fl. 55	60	3	12	4	-	-	Fl. 52.30
Amro C	Fl. 80	62	3.80	103	4.90	2	6.20	Fl. 83.10
Amro P	Fl. 80	21	0.60	126	2.10	-	-	Fl. 83.10
BUHRMANN-T C	Fl. 70	319	2	151	4.10	10	5.70	Fl. 69.60
BUHRMANN-T P	Fl. 65	-	-	65	1.40 b	-	-	Fl. 69.60
N.V. DSM C	Fl. 140	619	3	280	6.50	33	9.80	Fl. 137.80
N.V. DSM P	Fl. 135	107	1.70	17	3.70	-	-	Fl. 137.80
Elsevier C	Fl. 70	98	4.20	46	5.90	1	7	Fl. 73.30
Gist-Broc. C	Fl. 35	157	1.30	9	3	14	4.20	Fl. 34.60
Gist-Broc. P	Fl. 35	36	1.40	86	2	31	2.30	Fl. 34.60
Hoogovens C	Fl. 100	1627	10.20 b	460	14.50	31	18.30	Fl. 108.90
Hoogovens P	Fl. 110	243	4.40	365	7	2	8.60 b	Fl. 108.90
KLM C	Fl. 50	294	1.20	371	2.50	383	3.90	Fl. 48.90
KLM P	Fl. 50	18	1.80	143	3.20	51	4.20	Fl. 48.90
KNP C	Fl. 60	262	2.80	187	4.80	6	6.80	Fl. 60.70
KNP P	Fl. 60	10	1.50	315	2.70	-	-	Fl. 60.70
NEDLLOYD C	Fl. 450	119	13	29	29	-	-	Fl. 439
NEDLLOYD P	Fl. 420	159	5	13	17 b	-	-	Fl. 439
Nat.Ned. C	Fl. 65	1975	1.70	408	3	61	4.20	Fl. 64.30
Nat.Ned. P	Fl. 65	56	2	280	3.30 b	21	3.50 b	Fl. 64.30
Philips C	Fl. 45	25	0.30	116	1.20	1275	1.80	Fl. 39
Philips P	Fl. 40	1304	1.60	93	2.60 a	26	3.10	Fl. 39
Royal Dutch C	Fl. 140	295	2.50	468	4.90	14	7.80	Fl. 138
Royal Dutch P	Fl. 140	237	3.50	399	6	-	-	Fl. 138
Unilever C	Fl. 130	65	10	228	13	-	-	Fl. 139.40
Unilever P	Fl. 130	-	-	200	1.40	-	-	Fl. 139.40
Van Ommeren C	Fl. 50	156	1.50 a	100	3.30 a	-	-	Fl. 46.90
Van Ommeren P	Fl. 45	38	1	250	2.60 b	-	-	Fl. 46.90
Wessanen C	Fl. 85	125	6.10	2	8.50	-	-	Fl. 90
Wessanen P	Fl. 80	-	-	82	0.50	-	-	Fl. 90

TOTAL VOLUME IN CONTRACTS : 60,054

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm. Bk. N. East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptrs	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mortgage Express Ltd	§13.75		
City Merchants Bank	14	Mount Banking	14		
		Nat. Bk. of Kuwait	14		

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Friday June 9 1989: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Jun 8 Index No.	Wed Jun 7 Index No.	Tue Jun 6 Index No.	Year ago (approx) Index No.	1989 High		1989 Low		Since Compilation High	Since Compilation Low
1 CAPITAL GOODS (205)	964.56	-0.6	10.62	4.84	11.61	13.25	970.27	964.11	955.59	776.88	1005.51	19/5	775.54	3/1	1098.87 16/7/87	50.71 13/12/74
2 Building Materials (29)	1200.88	-1.2	11.82	4.28	10.43	17.91	1214.87	1202.83	1194.03	1012.92	1287.14	19/5	999.06	3/1	1381.08 16/7/87	44.27 11/12/74
3 Contracting, Construction (37)	1655.81	-0.4	13.90	4.24	9.44	30.24	1662.14	1661.09	1658.73	1598.69	1881.66	14/3	1468.31	3/1	1951.58 16/7/87	71.48 2/12/74
4 Electricals (9)	2855.68	-0.5	8.65	4.82	14.27	49.45	2870.28	2844.81	2820.64	2073.50	2951.80	19/5	2294.30	3/1	2951.80 19/5/89	84.71 25/6/62
5 Electronics (30)	2238.14	-1.2	8.56	3.85	15.17	19.40	2264.87	2264.43	2204.51	1643.29	2308.22	19/5	1776.44	3/1	2308.22 19/5/89	1229.01 8/10/85
6 Mechanical Engineering (54)	529.16	+0.1	9.98	3.97	12.35	7.66	528.42	526.82	523.25	399.99	536.60	19/5	406.34	3/1	544.57 14/10/87	45.43 5/1/75
8 Metals and Metal Forming (7)	542.26	-0.5	14.60	5.47	7.74	1.84	545.81	544.80	543.24	466.84	562.47	19/5	452.62	3/1	596.67 9/10/87	49.65 6/1/75
9 Motors (17)	327.81	+0.5	11.36	4.63	10.33	6.83	326.18	323.76	324.71	274.55	329.74	19/5	258.24	3/1	411.42 13/10/37	19.91 6/1/75
10 Other Industrial Materials (22)	1574.73	-0.5	9.54	4.32	12.51	25.11	1582.30	1556.24	1552.46	1290.46	1674.29	19/5	1311.63	3/1	1736.80 22/9/87	277.55 15/1/81
21 CONSUMER GROUP (187)	1217.17	+0.3	9.11	3.70	13.73	15.94	1214.10	1206.00	1203.18	1007.48	1254.08	19/5	1016.74	3/1	1406.32 16/7/87	61.41 13/12/74
22 Brewers and Distillers (22)	1322.60	+1.0	10.27	3.66	12.24	16.84	1309.41	1303.14	1299.45	1128.63	1364.69	14/3	1112.42	3/1	1364.69 14/3/89	69.47 13/12/74
25 Food Manufacturing (20)	1073.29	+0.2	9.57	3.87	13.08	15.69	1070.86	1066.65	1060.88	983.79	1102.21	19/5	926.04	3/1	1102.21 19/5/89	59.67 11/12/74
26 Food Retailing (15)	2286.87	+0.7	8.84	3.33	14.85	25.59	2271.47	2263.68	2242.85	1991.28	2286.87	9/6	1784.64	3/1	2649.96 16/7/87	54.25 11/12/74
27 Health and Household (14)	2208.11	-0.3	6.72	2.69	16.89	21.11	2214.89	2199.96	2200.81	1840.08	2320.78	19/5	1778.20	3/1	2699.85 16/7/87	175.38 28/5/80
29 Leisure (33)	1652.41	+0.2	7.68	3.43	16.30	21.82	1648.94	1646.19	1642.21	1338.02	1783.94	19/5	1346.22	3/1	1703.94 19/5/89	54.83 9/1/75
31 Packaging & Paper (15)	577.93	+0.6	9.99	4.22	12.65	7.10	574.77	571.39	573.13	497.88	607.36	8/2	523.08	3/1	739.48 16/7/87	43.46 6/1/75
32 Publishing & Printing (19)	3587.11	+1.3	8.57	4.59	14.73	44.70	3540.86	3480.04	3517.33	3419.41	3916.24	8/2	3236.76	4/1	5070.66 5/10/87	55.08 6/1/75
34 Stores (34)	804.04	-0.6	11.33	4.48	11.56	12.47	808.87	801.31	795.79	813.20	848.70	19/5	679.97	3/1	1160.58 29/7/87	52.63 6/1/75
35 Textiles (15)	534.59	+0.2	11.21	5.38	10.75	13.42	533.50	529.69	528.68	586.42	548.22	19/5	464.58	8/8	914.52 2/10/87	62.66 11/12/74
40 OTHER GROUPS (94)	1118.67	+0.4	10.09	4.17	12.07	12.26	1114.62	1095.36	1088.86	993.24	1130.39	19/5	896.15	3/1	1192.48 8/10/87	58.63 6/1/75
41 Agencies (18)	1374.23	-0.2	6.98	2.39	18.83	14.91	1376.36	1373.71	1374.51	1174.13	1424.93	30/5	1030.84	3/1	1795.57 17/7/87	878.35 4/12/87
42 Chemicals (22)	1264.11	----	11.29	4.71	10.45	26.38	1263.92	1258.14	1262.86	1043.59	1284.64	19/5	1026.37	3/1	1545.46 5/10/87	71.20 1/12/74
43 Conglomerates (12)	1580.92	-0.5	10.65	5.07	11.06	20.16	1588.81	1574.37	1575.02	1194.29	1621.44	19/5	1254.94	3/1	1621.44 19/5/89	975.19 10/11/87
45 Transport (13)	2474.79	-0.6	8.35	3.56	15.59	30.81	2489.64	2474.64	2468.51	1925.82	2509.08	30/5	1836.25	4/1	2509.08 30/5/89	90.60 29/6/62
47 Telephone Networks (2)	1123.85	+2.6	10.91	4.37	11.93	0.08	1095.82	1063.53	1047.36	956.29	1179.42	18/5	1002.43	3/1	1274.14 9/6/87	517.92 30/11/84
48 Miscellaneous (27)	1636.22	-0.6	9.75	3.65	11.65	22.36	1646.52	2587.38	1564.34	2193.44	1646.52	8/6	1283.56	5/1	1773.70 5/10/87	60.39 6/7/75
49 INDUSTRIAL GROUP (486)	1145.59	----	9.81	3.93	12.59	14.51	1145.04	1134.37	1128.16	964.63	1177.70	19/5	935.74	3/1	1268.86 16/7/87	59.01 13/12/74
51 Oil & Gas (14)	2045.75	-0.3	10.55	5.52	12.59	51.08	2050.91	2027.69	2017.17	1871.18	2050.91	8/6	1725.48	0/0	2458.68 16/7/87	87.23 29/5/62
59 500 SHARE INDEX (500)	1222.11	----	9.91	4.13	12.59	17.48	1221.99	1210.29	1203.71	1041.18	1252.24	19/5	1002.81	3/1	1369.88 16/7/87	63.49 13/12/74
61 FINANCIAL GROUP (123)	736.13	-0.3		5.29		16.71	738.09	730.82	729.16	719.04	776.56	8/2	670.86	3/1	896.67 13/10/87	55.88 13/12/74
62 Banks (8)	735.76	-0.1	24.26	6.50	5.41	21.71	736.44	722.79	720.48	680.71	788.44	8/2	657.74	3/1	898.30 16/7/87	62.44 12/12/74
65 Insurance (Life) (8)	1075.46	-0.1	-	5.55	-	29.86	1076.32	1066.13	1061.85	1072.44	1121.53	23/3	933.96	5/1	1285.72 9/10/87	44.88 2/1/75
66 Insurance (Composite) (7)	568.57	-0.2	-	6.83	-	16.75	569.46	565.56	569.21	567.92	611.64	8/2	528.72	3/1	787.58 13/10/87	43.96 13/12/74
67 Insurance (Brokers) (7)	976.40	-0.2	7.73	6.41	17.39	27.18	978.52	977.79	980.89	981.91	1071.22	8/2	916.68	3/1	1399.56 17/7/87	65.86 16/12/74
68 Merchant Banks (11)	333.19	-0.3	-	4.53	-	3.78	334.13	334.29	333.42	377.08	354.66	15/2	318.85	3/1	547.59 12/10/87	31.21 7/1/75
69 Property (52)	1300.74	-0.7	6.36	2.91	20.05	13.81	1309.63	1302.29	1294.48	1240.85	1352.49	14/3	1198.13	3/1	1374.86 16/7/87	56.81 20/4/65
70 Other Financial (30)	364.70	-0.2	11.40	5.96	11.19	6.25	365.38	364.23	363.14	393.98	391.49	8/2	342.99	3/1	683.48 16/7/87	33.29 17/12/74
71 Investment Trusts (71)	1140.17	+0.1	-	2.86	-	12.92	1138.51	1134.55	1132.17	889.25	1178.08	19/5	922.84	3/1	1287.90 5/10/87	71.12 13/12/74
81 Mining Finance (2)	621.97	-0.6	9.97	4.09	11.16	10.45	625.93	611.15	611.75	531.65	686.92	13/3	561.50	3/1	727.93 3/8/87	66.31 30/9/74
91 Overseas Traders (8)	1300.99	----	11.58	5.78	9.83	34.45	1301.76	1297.74	1308.59	1122.69	1439.44	18/2	1273.76	3/1	1447.77 7/11/88	97.37 6/1/75
99 ALL-SHARE INDEX (704)	1101.84	----	-	4.27	-	17.16	1102.24	1091.69	1086.63	955.97	1131.41	19/5	921.22	3/1	1238.57 16/7/87	61.92 13/12/74
	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 8	Jun 7	Jun 6	Jun 5	Jun 2	Year ago						
FT-SE 100 SHARE INDEX ♦	2142.1	-1.3	2154.3	2133.2	2143.4	2117.9	2107.4	2088.5	2102.6	1849.8	2204.7	19/5	1782.8	3/1	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jun 9	Day's change %	Thu Jun 8	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.14	-0.08	117.35	0.12	5.44
2	5-15 years	131.28	-0.27	131.64	-	4.97
3	Over 15 years	140.03	-0.38	141.21	0.64	6.81
4	Irredeemables	162.78	+0.07	162.66	-	6.34
5	All stocks	129.15	-0.22	129.54	0.11	5.42
	Index-Linked					
6	5 years	134.61	+0.16	134.39	-	1.36
7	Over 5 years	131.92	-0.20	132.18	-	1.28
8	All stocks	132.01	-0.17	132.23	-	1.27
9	Debentures & Loans	113.24	-0.02	113.26	-	5.14
10	Preference	87.95	-0.02	87.97	-	3.04

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jun 9	Thu Jun 8	Year ago (approx.)	1989 High		1989 Low	
	British Government								
1	Low	5 years	9.92	9.93	8.82	10.39	30/12	8.88	9/2
2	Coupons	15 years	9.56	9.53	9.14	9.63	6/6	8.77	9/2
3		25 years	9.40	9.39	8.99	9.46	6/6	8.73	16/2
4	Medium	5 years	11.03	10.94	9.26	11.14	5/6	9.96	8/2
5	Coupons	15 years	10.08	10.02	9.34	10.14	6/6	9.21	8/2
6		25 years	9.64	9.60	9.15	9.79	6/6	8.85	17/2
7	High	5 years	11.14	11.06	9.35	11.23	5/6	10.13	8/2
8	Coupons	15 years	10.30	10.25	9.48	10.36	6/6	9.41	8/2
9		25 years	9.84	9.80	9.21	9.89	6/6	8.99	27/1
10	Irredeemables†		9.40	9.40	9.02	9.47	5/6	8.68	15/3
	Index-Linked								
11	Inflation rate 5%	5yrs.	3.95	3.98	2.78	4.04	2/6	3.24	9/3
12	Inflation rate 5%	Over 5 yrs.	3.81	3.79	3.83	3.84	5/6	3.44	13/3
13	Inflation rate 10%	5 yrs.	3.22	3.24	1.78	3.30	2/6	2.11	24/1
14	Inflation rate 10%	Over 5 yrs.	3.64	3.62	3.67	3.67	5/6	3.28	13/3
15	Debs &	5 years	11.91	11.91	10.23	12.56	12/4	11.47	30/12
16	Loans	15 years	11.63	11.63	10.65	11.83	11/4	11.19	1/2
17		25 years	11.35	11.34	10.68	11.36	6/6	10.66	27/2
18	Preference†		10.26	10.26	9.56	10.43	30/12	10.80	17/3

♦Opening index 2153.7; 10 am 2146.5; 11 am 2146.3; Noon 2145.4; 1 pm 2146.7; 2 pm 2135.5; 3 pm 2137.2; 3.30 pm 2139.5; 4 pm 2144.5 (a) 9.06am (b) 2.05pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.

NAME CHANGE: Lilley (F.J.C.) is now Lilley (3).

INTERNATIONAL COMPANIES AND FINANCE

HK Telecom profits up on growth in world services

By Michael Marray in Hong Kong

HONG KONG Telecommunications, the locally listed subsidiary of UK-based telecommunications group Cable and Wireless, has reported strong profit growth for the year ended March 31, with attributable profits jumping 21 per cent to HK$3.63bn (US$465.7m).

The result was achieved with the help of volume growth in international telephone services, which made up around 50 per cent of turnover. This increased by 19 per cent to HK$11.8bn.

Mr Mike Gale, chief executive of HK Telecom, said that international telecommunications services would continue to be the primary growth area in the future.

There is also growth in international facsimile services, with around 2,000 fax lines per month being added to the present total of 65,000 in Hong Kong. Domestically, HK Telecom's lines are rented out for a set sum per month, with no extra charges for calls.

Mr Gale said that, despite the current events in China, he was confident that the group's prospects continued to be excellent. HK Telecom's direct investments in China are small, consisting mainly of loans amounting to less than US$10m to Chinese telecoms authorities to help develop their infrastructure. This will stimulate extra telecommunications traffic to China.

Mr Gale said that a planned satellite launch using a Chinese Long March rocket was still scheduled for April next year. There have been doubts that clearance will be given by the US in the light of sanctions being implemented against China, but Mr Gale said that "there are no such sanctions applied as yet to Asiasat." The export licence to move the satellite to China will not be needed until December, he said.

Cable and Wireless, which relies on HK Telecom for most of its profits, is to announce its own results next Tuesday. Following a share offering last December, the Cable and Wireless holding in HK Telecom was reduced to 75 per cent from 79 per cent.

Siemens in talks with Matsushita

By David Goodhart in Bonn

SIEMENS, the West German electronics giant, is expected to announce details next week of a joint venture with the Japanese electronics group Matsushita.

A company representative confirmed yesterday that talks had taken place over co-operation in passive components – such as resistors and diodes – and valves. A press conference has been arranged for next Thursday.

Matsushita has been seeking to expand production in this field in Europe and may take over production facilities from Siemens, which has sales of about DM1.4bn ($709m) in these components.

Price competition in this market has been very tough and some analysts speculate that Siemens might want to withdraw from this market to concentrate on more sophisticated electronic components that have greater added value.

Siemens has been a leading voice calling for European companies to make efforts to combat the Japanese lead in semiconductors – even though the company did buy some technology from Toshiba to develop its 1Mbit computer chip.

That chip cost the company about DM800m to develop and the latest 4Mbit chip has cost DM1.4bn in development costs.

● Siemens and Philips look set to win the contract to build the network for the Finnish part of the pan-European digital phone network, expected to be operational in 1991. The contract is worth about DM80m.

Goodman to sell A$2bn worth of IEL's assets

GOODMAN Fielder Wattie, the Australian food giant, will sell A$2bn (US$1.5bn) worth of assets belonging to its new acquisition Industrial Equity (IEL) within the next 18 months.

This will leave GFW with only about A$500m worth of food-producing interests, Mr Pat Goodman, executive chairman, said, Reuter reports.

"We'll sell everything other than food and then we'll look at the food," Mr Goodman told a news conference. Some of the food interests could be sold if they underperformed, he added.

Mr Goodman said he expected most asset sales to be done within 12 months, but others would take up to 18 months "because some of the [IEL] properties will take a little longer."

The complex A$1.1bn merger deal, unveiled this week, involves a cash-and-share takeover of IEL by Goodman Fielder followed by the sale of IEL's Woolworths retail chain to Brierley Investments (BIL), IEL's present New Zealand parent.

In response to a suggestion that Goodman would be selling a lot of unattractive assets, Mr Goodman said: "We are selling down assets and turning it into cash and taking profits along the way. At the end of that time we wind up with a balance sheet which is debt free and which has borrow abilities of A$2bn."

He added that this would give Goodman a springboard from which to carry on international expansions.

Asked if Goodman had over-exposed itself to a possible downturn in the Australian economy by buying IEL, he said: "We've exposed ourselves to the downturn in the New Zealand economy and come through. I doubt if Australia's downturn will be anything like the New Zealand one was."

Benetton listed on NYSE

By Alan Friedman in Milan

ITALY'S Benetton clothing group has completed its international equity offer and has raised $104.6m by selling 7m American Depository Shares. The company's stock is now trading on the New York Stock Exchange, making it the third Italian company after Montedison and Fiat to gain a listing and the first to offer new shares in the US.

The 7m ADS certificates, each representing two ordinary shares of Benetton, were sold at $14.95 each in the US and C$17.90 in Canada. The company's stock is also trading on the Toronto Stock Exchange.

The international equity offer has increased the proportion of Benetton stock that is publicly quoted from 12.5 per cent to 20 per cent. The Benetton family still owns 80 per cent of the company, so the number of non-family shareholders has gone from 3,000 to 8,000 as a result.

Of the 7m certificates offered, some 4m went to US investors, 500,000 to Canadians and the remaining 2.5m outside North America. Benetton hopes to offer more shares next year in Tokyo.

Pru-Bache reorganises to improve services

By Roderick Oram in New York

PRUDENTIAL-BACHE Securities has reorganised some of its operations, a move reflecting both their inadequate performance and the difficult business conditions on Wall Street.

The firm, a subsidiary of Prudential Insurance Co of America, is also reported to be negotiating to buy Thomson McKinnon Securities, which ranks near the bottom of Wall Street's top 20 firms.

Thomson McKinnon is a privately held, full-range firm orientated towards retail customers. It has been seeking new capital since last October, when Hartford Insurance said it wanted to sell its 33 per cent stake. Hartford, a subsidiary of ITT, had held the stake since 1983.

Pru-Bache is thought likely to buy the whole firm and possibly some of its subsidiaries, such as Thomson McKinnon Asset Management. Both Pru-Bache and Thomson McKinnon, a 104-year-old company with some 180 branches, declined to comment.

Pru-Bache, which suffered a first quarter loss of $8m, said it is re-arranging parts of its corporate finance, investment banking and merchant banking operations. It stressed it was cutting neither jobs nor operations.

The changes are designed to achieve a "better match of skills and responsibilities to better serve our customers," a company official said. They affect some 500 of the 2,000 employees in those areas of the firm.

Pru-Bache, which ranks about eighth among Wall Street firms in terms of capital, has been trying to strengthen its investment banking and corporate finance skills. It ranked ninth among debt and equity underwriters in the first quarter.

It has yet to achieve the full benefits of a three-year programme, begun in 1986 and costing more than $100m, to boost its position in investment banking. It has wooed some experienced staff to join it and increased its market share but it still ranks outside the top 10 mergers and acquisitions advisers, according to Securities Data figures.

● S.G. Warburg Group, the London-based investment banking group, is to establish a subsidiary in Spain to carry out mergers and acquisitions work, reports David Lascelles in London.

The subsidiary will be called S.G. Warburg España, and will work closely with S.G. Warburg Securities, which researches, distributes and trades Spanish equities.

LVMH saga reaches final episode

By George Graham in Paris

SHAREHOLDERS in Moët Hennessy-Louis Vuitton (LVMH), the French drinks and luxury goods conglomerate, are assiduous in their attendance at annual meetings, but it is usually the champagne and asparagus sandwiches which lure them.

Yesterday, they turned out in greater numbers than usual to witness a showdown in the battle for control of LVMH which has pitted Mr Bernard Arnault, the youthful head of the Agache group, against Mr Henry Racamier, head of the Vuitton dynasty.

The showdown never came. All nine resolutions put to the meeting – routine measures involving the approval of last year's accounts and authorisation for this year's dividend – passed, by margins ranging from 99.13 per cent to 99.64 per cent.

Any remaining qualms were soothed by Mr Arnault's forecast that LVMH's 1989 profits would increase by at least 30 per cent from last year's FFr2.003bn, and the announcement of a dividend up 37.5 per cent to FFr44 ($6.6) per share.

A few disgruntled minority shareholders voted against each resolution, but the main

Bernard Arnault: seems to have won battle for control

dissident bloc, controlled by Mr Racamier, remained with the majority.

For Mr Arnault, who took over as executive chairman of LVMH in January, the meeting paves the way to take full control of the group, in partnership with Guinness, the UK drinks group. Assured of the LVMH holding company, he is expected to use the 98 per cent that LVMH owns of the Louis Vuitton luggage division to oust Mr Racamier.

However, Mr Racamier offered an olive branch yesterday. He told the assembly that at 76 years of age he was thinking of preparing the way for his successor.

He urged the group to preserve the influence of the founding families in its component businesses, and suggested a diversification both geographically and into new products – non-alcoholic drinks or mineral water.

Louis Vuitton officials indicated that Mr Racamier might be thinking of introducing a successor from outside the group, acceptable both to the Vuitton family and to Mr Arnault, but denied that Mr Racamier was planning to resign at the Louis Vuitton assembly.

This assembly, at which Mr Arnault will have the votes to impose his will, has been delayed from next Tuesday, but should take place by the end of June to comply with French company law.

However, Mr Racamier yesterday asked the Paris commercial court for an injunction allowing the meeting to be postponed until a final judgment has been delivered on the fate of an issue of LVMH bonds with warrants, amounting to around 12 per cent of the company's capital after dilution.

Most of these warrants were bought by Mr Arnault, but a group of minority shareholders have contested the conditions on which they were issued, and the court has frozen the warrants.

Mr Racamier's supporters hope the court will at least prevent Mr Arnault from ousting him. But LVMH's small investors think the battle is over.

"It's all lost now. I don't understand how an old family business like this could fall so low," commented Mrs Lebrun, a long-standing shareholder first in Veuve Clicquot, then in Louis Vuitton when it bought the champagne house, and finally in LVMH since the merger between Vuitton and Moët Hennessy in 1987.

"The French come to shareholders' meetings but then they behave like cattle. They let themselves be bought for a bottle of champagne," she added, after refusing to vote approval of 1988's accounts.

Mr Anthony Tennant, chairman of Guinness, also believes that the Arnault-Racamier battle is ending. "We think the soap opera is nearly over," he said yesterday.

Ackermans builds on solid ground

Tim Dickson looks at a Belgian dredger's activities above the surface

It is not just because its main business is dredging that the key to Antwerp-based Ackermans and Van Haaren lies hidden below the surface.

Like many Belgian holding companies, Ackermans' accounting policies are exceptionally cautious, and analysts believe that the group's true cash-flow and real asset backing are a fair bit healthier than the publicly reported figures suggest.

This "hidden value" will assume more significance if the group continues to attract attention with its so far successful diversification from traditional activities, such as dredging and oil services, into businesses "closer to the consumer." The annual results announced last week – consolidated profits for 1988 up from BFr93m to BFr212m ($5.15m) – have added to the impression that it will.

Two recent deals stand out: Ackermans' backing in June 1986 of the Maes Brewery in what was then Belgium's biggest management buy-out, and its subsequent role in the BFr13bn management "buy in" which enabled Richard Grogan and David Hoare to take over the reins at the UK plastics and leisure group Cope Allman.

That transaction, completed at the beginning of last year, shows Ackermans' desire to expand beyond the company's home territory. According to Mr Luc Bertrand, a director who worked previously at Bankers Trust in London, there is BFr20m-25m of cash on the balance sheet, and several new investments in Europe are being considered.

The 120-year-old Ackermans is no stranger to foreign excursions, having been active in the construction markets of Russia, the Far East and Africa at around the turn of the century.

The present holding company was established in the early 1970s, when the core dredging business was merged with the dredging activities of Société Générale de Belgique. Ackermans keeping a 45 per cent stake. The management then in control shrewdly decided to move into offshore drilling.

For 15 years the returns to Ackermans from its offshore side were marvellous – but as a result of depressed oil prices in recent years, large profits have turned into heavy losses, with a damaging effect on the group's bottom line.

However, Ackermans has been able to maintain much of its offshore fleet and staff by making agreed salary cuts. It is thus in a good position to respond to an upturn in the oil industry.

Meanwhile the dredging business, in spite of difficult trading conditions, is in better shape than most of its competitors – mainly Dutch – and remains profitable.

According to Mr Bertrand, pressures to diversify were intensified by the capital intensive nature of dredging and oil services. They are also dependent on the same type of public sector customers.

"We think our established companies are well managed, but we thought we could do better if we identified activities closer to the consumer. At the same time, while we have very good engineers, we didn't think it was right to put them in to manage companies that they know little or nothing about."

Mr Bertrand talks of a "partnership" approach in which Ackermans plays a supportive role, helping to develop long-term strategies for the companies in which it makes investments.

He insists: "We are originally industrialists, we are not financiers. We are not looking at businesses with the idea of selling them within six months. Our aim is to motivate people, to create an environment of trust, and not to force anyone to do anything from a position of outright control. I really don't like the word 'control'."

So far the Ackermans philosophy seems to have worked well at Maes, where the Antwerp company paid BFr350m for its original 49 per cent stake, leaving the Maes management with the other 51 per cent.

Since then the brewery has embarked on a major expansion, concluding a merger last year with the Belgian BSN brewing offshoot Alken Kronenbourg which cut Ackermans' stake in the enlarged equity to 25 per cent.

Maes now controls around 30 per cent of the Belgian beer market and boasts a turnover of BFr7.5bn.

At Cope Allman the high risk stage is not yet over. Mr Bertrand says Ackermans is keen to help create a speciality plastics and packaging business, disposing of companies such as its profitable leisure subsidiary Bell Fruit which do not fit with this strategy, and reducing the UK group's still highly leveraged balance sheet.

Analysts believe that the traditional activities are well positioned to take advantage of any recovery. But Mr Bertrand, with typical caution, observes: "We don't want to project ourselves as a go-go business. We don't think, for example, that the offshore side will necessarily pick up soon, and while it is too early to be precise I am sure that this year we will again have to continue supporting big losses in this activity."

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$368.5	+6.5	$457.25	$412.25	$360.25
Silver per troy oz	345.15p	+15.6	391.85p	358.85p	322.25p
Aluminium 99.7% (cash)	$1920.0	-67.5	$4205	$2610	$1907.5
Copper Grade A (cash)	£1655	+82	£1557.5	£1982.5	£1573
Lead (cash)	£427.5	-5.0	£402.0	£432.5	£337
Nickel (cash)	$12525	-125	$16300	$19350	$12450
Zinc (cash)	$1525.0	+27.5	$790.5	$2107.5	$1487.5
Tin (cash)	$10345	+25	£3910	$10760	$7460
Cocoa Futures (Sep)	£935	+33	£926	£900	£715
Coffee Futures (Sep)	£1195	+20	£1152	£1270	£1069
Sugar (LDP Raw)	$294	+6	$251	$315.6	$235.8
Barley Futures (Nov)	£106.8	+0.5	£103.15	£113.50	£100.95
Wheat Futures (Sep)	£104.75	+0.05	£104.95	£121.65	£104.7
Cotton Outlook A Index	76.30c	-1.85	67.9c	78.2c	61.35
Wool (64s Super)	620p	N/C	650p	710p	610p
Rubber (Spot)	57.50p	+0.50	83p	64p	55p
Oil (Brent Blend)	$17.55	-0.525	$15.855	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.50	-0.125
Brent Blend	$17.50-7.60v	+.025
W.T.I. (1 pm est)	$20.05-0.10v	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$223-225	-2
Gas Oil	$144-145	+2
Heavy Fuel Oil	$87-89	-2
Naphtha	$177-179	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$368.5	-6
Silver (per troy oz)♣	541c	-8
Platinum (per troy oz)	$494.25	-8.50†
Palladium (per troy oz)	$154.0	-1.5
Aluminium (free market)	$1900	-15
Copper (US Producer)	114½-117½	+2¼
Lead (US Producer)	37.25c	
Nickel (free market)	5.5c	-10
Tin (European free market)	$10345.0	+37.5
Tin (Kuala Lumpur market)	27.52r	+0.15
Tin (New York)	474.75c	+1.50
Zinc (US Prime Western)	80¾c	-2¾
Cattle (live weight)†	122.05p	+0.01*
Sheep (dead weight)†	229.1p	-13.7*
Pigs (live weight)†	99.18p	+7.38*
London daily sugar (raw)	$294.0u	+8.8
London daily sugar (white)	$367.0u	+13.5
Tate and Lyle export price	£290.5	+6.5
Barley (English feed)	£104.0w	-0.5
Maize (US No. 3 yellow)	£131.5	
Wheat (US Dark Northern)	£129.5u	
Rubber (spot)♡	57.50p	+0.50
Rubber (Jul)♡	63.00p	+0.50
Rubber (Aug)♡	63.50p	+0.50
Rubber (KL RSS No 1 Jul)	253.5m	-2.5
Coconut oil (Philippines)§	$557.5u	-12.5
Palm Oil (Malaysian)§	$385	
Copra (Philippines)§	$355	
Soyabeans (US)	£198u	
Cotton "A" index	76.30	+0.55
Wooltops (64s Super)	620p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. y-Jul/Aug. w-Aug. z-Jul/Jun. †Meat Commission average fatstock prices. * change from a week ago. ♡London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jul	17.60	17.35	17.58 17.56
Aug	17.34	17.12	17.44 17.27
Sep	17.15	16.94	17.20 17.07
Oct	17.00	16.80	17.00
IPE Index	17.34	17.50	

Turnover 6059 (10107)

COCOA £/tonne

	Close	Previous	High/Low
Jul	817	810	830 811
Sep	835	827	843 830
Dec	868	860	887 860
Mar	888	882	892 884
May	892	885	899 887
Jul	905	895	910 900
Sep	918	912	926 914

Turnover: 5051 (10713) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 9 1003.99 (1001.34) : 10 day average for Jun 12 979.69 (982.68)

COFFEE £/tonne

	Close	Previous	High/Low
Jly	1221	1220	1239 1215
Sep	1195	1194	1210 1183
Nov	1186	1184	1200 1186
Jan	1182	1182	1195 1181
Mar	1174	1177	1185 1181
May	1178	1173	1180 1165

Turnover 2713 (3047) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 8: Comp. daily 113.54 (112.87) . 15 day average 115.60 (115.81)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	259.60	261.00	264.00 257.00
Oct	259.00	260.40	264.40 256.00
Dec	256.50	259.20	260.00
Mar	250.80	251.00	254.00 252.20
May	250.20	249.80	253.00 251.20
Oct	249.00	249.00	251.40 250.60
White	**Close**	**Previous**	**High/Low**
Aug	358.00	354.00	360.50 356.00
Oct	330.00	329.50	331.70 328.00
Dec	322.00	321.00	
Mar	310.50	309.00	311.70 310.50
May	309.00	307.50	311.50 309.50

Turnover: Raw 4693 (11120)lots of 50 tonnes. White 1190 (1734).
Paris- White (FFr per tonne): Aug 2440 Oct 2240, Dec 2190, Mar 2110, May 2110 Aug 2110.

GAS OIL $/tonne

	Close	Previous	High/Low
Jul	143.00	142.50	143.75 142.00
Aug	143.75	143.25	144.50 142.25
Sep	142.75	144.25	145.50 143.75
Oct	144.00	146.50	146.50 145.00
Nov	146.00	147.50	147.50 146.75
Dec	146.75	149.50	150.25 148.25

Turnover 4585 (9834)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 28,125 tonne
Cash	1915-25	1935-40	1905/1900	1900-05		
3 months	1860-5	1877-80	1900/1840	1857-60	1845-50	34,890 lots
Copper, Grade A (£ per tonne)						Ring turnover 64,025 tonne
Cash	1654-6	1603-5	1645	1649-51		
3 months	1649-50	1599-600	1660/1615	1631-2	1629-30	74,796 lots
Lead (£ per tonne)						Ring turnover 10,350 tonne
Cash	427-8	430-5	428/427	428-9		
3 months	406-7	407-8	408/401	402-3	404-5	9,752 lots
Nickel ($ per tonne)						Ring turnover 1,208 tonne
Cash	12500-50	12750-800		12400-500		
3 months	11600-50	11700-50	11700/11600	11625-50	11650-700	7,347 lots
Tin ($ per tonne)						Ring turnover 280 tonne
July 3	10310-20	10335-45		10400-15		
3 months	10330-40	10355-60	10428/10330	10425-7	10300-40	1,126 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,475 tonne
Cash	1640-50	1645-50	1620/1615	1615-20		
3 months	1555-60	1540-5	1555/1535	1535-40	1548-50	11,868 lots
Zinc ($ per tonne)						Ring turnover 6,500 tonne
Cash	1520-30	1505-15	1513/1512	1513-4		
3 months	1483-5	1465-70	1485/1455	1465-70	1475-80	10,210 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	101.0	99.0	101.0 98.5
Apr	178.7	173.0	179.0 172.5
May	195.0	189.0	193.0 190.0

Turnover 446 (468) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Aug	146.00	145.50	146.00
Oct	145.50	145.00	145.50

Turnover 110 (480)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jun	1345	1345	1345
Jul	1335	1333	1340 1325
Oct	1450	1450	1453 1450
Jan	1496	1495	
Apr	1518	1504	
BFI	1408	1412	

Turnover 110 (134)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	115.80	115.80	116.00 115.75
Sep	104.75	104.65	
Nov	107.60	107.50	107.75 107.70
Barley	**Close**	**Previous**	**High/Low**
Sep	103.40	103.20	
Nov	106.80	106.40	106.80
Jan	110.10	109.80	
Mar	113.05	112.75	
May	114.50	114.20	114.50 114.30

Turnover: Wheat 85 (73), Barley 21 (14). Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	113.0	111.5	112.5
Aug	110.5	109.0	110.0
Oct	115.0	113.0	
Nov	115.7	113.6	115.7 116.0
Apr	109.5	108.0	109.0

Turnover 36 (46) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	368¼-368¾	237¼-237¾
Opening	372½-373	236¾-237¼
Morning fix	371.25	237.327
Afternoon fix	368.25	237.351
Day's high	373-373½	
Day's low	367¼-367¾	

Coins	$ price	£ equivalent
Mapleleaf	379-384	244-247
Britannia	379-384	244-247
US Eagle	379-384	244-247
Angel	379-384	244-247
Krugerrand	367-370	236-238
New Sov.	86½-87½	55¾-56½
Old Sov.	86½-87½	55¾-56½
Noble Plat	496.45-504.40	319.55-324.70

Silver fix	p/fine oz	US cts equiv
Spot	345.15	539.30
3 months	357.30	551.90
6 months	369.90	564.25
12 months	394.10	588.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1800	130	115	18	51
1900	64	65	49	98
2000	25	34	109	165
Copper (Grade A)	**Calls**		**Puts**	
2450	119	147	32	96
2550	62	101	75	150
2650	28	66	140	213

LONDON FOX TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
1150	73	83	3	38
1200	35	56	15	61
1250	18	36	48	91
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
800	28	54	1	20
850	5	28	9	44
900			38	79

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Producer prices boost dollar

A SHARP rise in US producer prices pushed the dollar yesterday to its best level since October 1987. The May PPI figure rose by 0.9 per cent, nearly double market expectations; the size of the increase dispelled any notion of a further immediate fall in US interest rates.

The dollar edged up during the morning, helped by growing investor disenchantment with the Japanese yen. The US unit touched a high of Y146.30 soon after the PPI announcement as dealers reported heavy investment in US Treasury bonds. The strong improvement was also seen against the D-Mark where the dollar broke through DM2.00 to touch a high of DM2.0080.

Only the proximity of the weekend deterred investors from pushing the US unit still higher, but the firmer tone is likely to resume on Monday.

There was no sign yesterday of any central bank intervention apart from limited dollar sales by the Bank of Spain.

The dollar closed at Y146.05 against the yen, its best level since October 1987 and up from Y143.35 on Thursday. In D-Mark terms it remained above DM2.00 at DM2.0015 compared with DM1.9775 previously. Elsewhere, it finished at SFr1.7400 from SFr1.7125 and FFr6.7850 from FFr6.7100. On Bank of England figures, the dollar's exchange rate index rose from 72.1 to 73.1.

Sterling was firmer against its European partners but fell sharply against the dollar. Consequently, its exchange rate index slipped to 92.0, its lowest level this year and down from 92.2 at the opening and 92.3 on Thursday. Against the dollar, sterling closed at $1.5550, its worst level since February 1987, and down from $1.5730 on Thursday. It was higher against the D-Mark at DM3.1125 from DM3.1100 and Y227.00 compared with Y225.50. Elsewhere, it finished at SFr2.7050 from SFr2.6950 and FFr10.5500 against FFr10.5550.

The pound remains vulnerable ahead of several UK economic figures due for release next week. For the time being, a firmer tone in sterling interest rates and a reluctance to run short positions over the weekend have probably saved the pound from even more downward pressure.

While the D-Mark lost ground to the dollar, it finished on a firm note against the yen, closing at Y72.97 against Y72.51 on Thursday. The German unit was a little weaker against the French franc, as the latter drew strength from the rise in French money market rates on Thursday. The D-Mark closed at FFr3.3900 from FFr3.3940.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5490 - 1.5585	1.5545 - 1.5555	0.55-0.52cpm	4.13	1.80-1.76pm	4.58
Ireland†	1.3310 - 1.3535	1.3335 - 1.3345	0.10-0.15cdis	-1.12	0.04-0.14dis	-0.27
Canada	1.1945 - 1.2005	1.1990 - 1.2000	0.28-0.32cpm	3.01	0.84-0.90pm	2.91
Netherlands	2.2215 - 2.2615	2.2560 - 2.2570	0.44-0.42cpm	2.30	1.14-1.11pm	2.01
Belgium	41.30 - 42.00	41.90 - 42.00	4.00-2.50cpm	0.94	9.00-6.00pm	0.72
Denmark	7.67¼ - 7.81½	7.80¼ - 7.80¾	0.55-0.30orepm	0.66	0.35-0.05pm	0.10
W. Germany	1.9695 - 2.0080	2.0010 - 2.0020	0.45-0.42pfpm	2.63	1.15-1.11pm	2.27
Portugal	165.50 - 167.00	166.70 - 166.80	80-110cdis	-6.89	270-340dis	-7.37
Spain	128.00 - 129.70	129.55 - 129.65	70-110cdis	-6.53	235-315dis	-6.65
Italy	1436½ - 1455	1452¾ - 1453¾	3.20-3.70liredis	-2.86	10.00-10.70dis	-2.86
Norway	7.15½ - 7.24¾	7.24 - 7.24½	0.80-1.05oredis	-1.54	3.45-3.75dis	-2.00
France	6.69 - 6.80¼	6.78¼ - 6.78¾	0.25-0.20cpm	0.40	0.40-0.25pm	0.19
Sweden	6.65¾ - 6.75	6.74 - 6.74½	0.99-1.14oredis	-1.91	3.30-3.55dis	-2.04
Japan	143.40 - 146.30	146.00 - 146.10	0.50-0.48ypm	4.06	1.44-1.42pm	3.95
Austria	13.87¾ - 14.10¾	14.10¼ - 14.10¾	2.80-2.30gropm	2.20	7.10-5.60pm	1.82
Switzerland	1.7060 - 1.7490	1.7395 - 1.7405	0.32-0.29cpm	2.12	0.85-0.80pm	1.91

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 42.05-42.15.

POUND SPOT- FORWARD AGAINST THE POUND

June 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5490 - 1.5585	1.5545 - 1.5555	0.55-0.52cpm	4.13	1.80-1.76pm	4.58
Canada	1.8575 - 1.8790	1.8645 - 1.8655	0.23-0.12cpm	1.13	0.87-0.72pm	1.71
Netherlands	3.49½ - 3.51¼	3.50¼ - 3.51¼	1⅛-1½cpm	6.45	5⅞-5¾pm	6.65
Belgium	64.95 - 65.25	65.15 - 65.25	30-25cpm	5.07	90-83pm	5.32
Denmark	12.07½ - 12.14¼	12.13¼ - 12.14¼	5⅛-4½orepm	4.83	14½-13⅞pm	4.65
Ireland	1.1595 - 1.1665	1.1630 - 1.1640	0.50-0.45cpm	4.90	1.45-1.35pm	4.81
W. Germany	3.10¼ - 3.11¼	3.11 - 3.11½	1⅛-1⅛pfpm	6.74	5⅜-5¼pm	6.84
Portugal	257.70 - 259.60	258.60 - 259.60	20-74cdis	-2.21	31-139dis	-1.34
Spain	200.35 - 201.50	200.75 - 201.05	11-24cdis	-0.89	23-41dis	-0.75
Italy	2251 - 2261¼	2258½ - 2259½	3-2lirepm	1.33	11-9pm	1.77
Norway	11.21 - 11.26¾	11.25¾ - 11.26¾	2⅞-2¼orepm	2.67	7¾-7pm	2.65
France	10.52½ - 10.57	10.54½ - 10.55½	4¼-3⅞cpm	4.63	13¼-12¾pm	4.84
Sweden	10.44½ - 10.49	10.48 - 10.49	2½-1¾orepm	2.13	7½-6½pm	2.42
Japan	226 - 227½	226½ - 227½	1⅝-1½ypm	8.28	4⅞-4¾pm	8.50
Austria	21.77 - 21.89	21.86 - 21.89	11¾-11grpm	6.35	37½-34¼pm	6.38
Switzerland	2.68¾ - 2.71	2.70 - 2.71	1⅜-1⅛cpm	6.11	4⅞-4¼pm	6.44

Belgian rate is convertible francs. Financial franc 65.40-65.50. Six-month forward dollar 3.68-3.63cpm 12 months 6.80-6.70cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4517	+2.34	+0.95	±1.5344
Danish Krone	7.85212	8.07407	+2.83	+1.44	±1.5404
German D-Mark	2.05853	2.07454	+0.78	-0.61	±1.0981
French Franc	6.90403	7.03670	+1.92	+0.53	±1.3674
Dutch Guilder	2.31943	2.33701	+0.76	-0.63	±1.5012
Irish Punt	0.768411	0.779994	+0.99	-0.40	±1.6684
Italian Lira	1483.58	1509.88	+1.77	+1.82	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	2 mths	6 mths	12 mths
US Dollar	1.5550	1.5497	1.5432	1.5185	1.4875
D-mark	3.1125	3.0952	3.0761	3.0094	2.9260
French Fr.	10.550	10.546	10.541	10.525	10.505
Swiss Fr.	2.7050	2.6913	2.6750	2.6165	2.5407
Yen	227.00	226.98	226.97	226.91	226.82

MONEY MARKETS

UK rates higher

UK INTEREST rates were marked up in London yesterday after the rise in US PPI data for May. Having spent most of the morning unchanged from overnight levels at 14-13⅞ per cent, three-month interbank money moved up to 14⅛-14 per cent. The peak on the yield curve remains at six-months, but there is then only a one eighth downturn out to one-year money.

The Bank of England forecast a flat liquidity position.

UK clearing bank base lending rate 14 per cent from May 24

Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £262m. There was also a rise in the note circulation of £450m. These were offset by Exchequer transactions which added £720m and banks' balances brought forward £15m above target. There was no intervention by the Bank during the day.

Interest rates were marked up at yesterday's Treasury bill tender where the average rate of discount on 91-day bills rose to 13.5509 per cent from 13.5322 per cent the week before. The £500m of bills on offer attracted bids of £1.3bn, and all bills on offer were allotted.

FT GUIDE TO WORLD CURRENCIES
Every Tuesday in the FT

LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 index showed themselves in a leading light on the London Traded Options Market yesterday, totalling 8,194 contracts, or more than one fifth of total market business, of 41,723 contracts. The index itself lost 1.3 points on balance, to end at 2,142.1, with business in it on the near month contract on the London International Financial Futures Exchange ending around fair value, which allows for dividend and interest rate expectations, after showing a discount on fair value for part of the day.

The overall market business was split between 24,769 calls and 16,954 puts. The index trading was divided between 1,703 calls and 6,491 puts. The slight fall in the index lent weight to the idea put forward on Thursday by one leading securities house: that a relatively high call-put ratio of 4:1 suggested a peaking in the market index. The call-put ratio yesterday was a good deal lower, at round about 1.5 to 1.

The US producer price index figures ran far above the expected level, on a gain of 0.9 per cent, compared with the 0.5 per cent for which dealers had looked. On the futures market, some spread of trading was seen between one settlement date and another.

British Gas caught most of the limelight on the options market, as far as individual stocks were concerned, on 4,674 contracts, made up of 749 calls and 3,925 puts. Racal Electronics found 4,188 contracts, comprising 3,305 calls and 883 puts, while Storehouse and British Steel also showed fair activity, as did Dixons, on a day when overall market turnover was moderately high by recent standards, if not by some of those lately seen. The index trading saw, in particular, turnover of 1,109 contracts in the July 2,050 puts, of 1,050 in the July 1950s and of 1,017 in the August 2100s.

NOTICE OF A SECOND MEETING
OF THE HOLDERS OF
BANK OF HELSINKI LTD.
(UNION BANK OF FINLAND LTD.)
ECU 38.500.000 9% Subordinated Bonds Due 1996

No quorum having been reached at the first meeting held on June 6, 1989 a second Meeting of the holders of BANK OF HELSINKI LTD. (UNION BANK OF FINLAND LTD.) ECU 38,500,000 9% Subordinated Bonds Due 1996 will be held at the office of UNION BANK OF FINLAND INTERNATIONAL S.A., 189, avenue de la Faïencerie, Luxembourg, on July 12, 1989 at 2.00 p.m. to deliberate on the following agenda:

AGENDA

Amendment of the terms and conditions of the Bonds, article "Acceleration of Maturity".

- to delete paragraph (3) which reads at present time as follows:

"(3) in the event of default by the Bank or any Principal Subsidiary of the Bank in the due and punctual payment of the principal of, or premium or prepayment charge (if any) or interest on any indebtedness of or assumed or guaranteed by the Bank or such Principal Subsidiary when and as the same shall become due and payable, if such default shall continue for more than any period of grace applicable thereto and the time for payment of such interest, principal, premium or prepayment charge has not been effectively extended, or in the event that any such indebtedness of or assumed or guaranteed by the Bank or any such Principal Subsidiary shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder."

- to delete in paragraph (4) the words "or any Principal Subsidiary of the Bank";

- to delete in paragraph (7) the words "or any Principal Subsidiary of the Bank", "or any of its Principal Subsidiaries" and "or of any of its Principal Subsidiaries";

- to delete the last paragraph which reads at present time as follows:

"Principal Subsidiary" shall mean (a) any subsidiary of the Bank the total assets of which constitute (or have within the previous three years constituted) more than 15% in value of the total assets of the Bank and all its subsidiaries, or (b) any subsidiary of the Bank the net income of which constitutes (or has within the previous three years constituted) more than 15% of the aggregate net income of the Bank and all its subsidiaries."

No quorum of presence is required for the second meeting.

In the Meeting, a majority of two thirds will be required for resolutions on the items of the agenda.

For the purpose of obtaining voting certificates or appointing proxies the holders are required to deposit their Bonds at the latest two business days prior to the Meeting at the office of KREDIETBANK S.A. Luxembourgeoise, Luxembourg, (attention: Mr. Emile Schmitz) or at the above mentioned office of UNION BANK OF FINLAND INTERNATIONAL S.A., Luxembourg (attention: Mr. Bernard Lancin).

Proxies should be lodged with KREDIETBANK S.A. Luxembourgeoise, or UNION BANK OF FINLAND INTERNATIONAL S.A., Luxembourg two business days before the Meeting.

The Board of Management

EDUCATIONAL

LEGAL NOTICES

No. 001301 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
FLEXTECH p.l.c.

- and -

IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of March 1989 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of an amount of £8,623,703 standing to the credit of the Share Premium Account of the above-named Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 19th day of June 1989.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of £8,623,703 from the said Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 10th day of June 1989

Herbert Smith,
Watling House,
35 Cannon Street,
London,
EC4M 5SD

Tel: 01-489 8000
Ref: 72/C136

PERSONAL

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
337	295	Ass. Brit. Ind. Ordinary	337xd	0	10.3	3.1	9.1
38	28	Armitage and Rhodes	30	0	-	-	-
33	25	BBB Design Group (USM)	30	0	2.1	6.8	7.3
210	149	Bardon Group	200	0	2.7	1.4	34.2
124	105	Bardon Group Cv. Pref. (SE)	123	0	6.7	5.4	-
123	100	Bray Technologies	100	-1	5.9	5.9	8.8
110	107	Bremhill Conv. Pref	108	0	11.0	10.2	-
305	285	CCL Group Ordinary	299xd	0	14.7	4.9	3.7
176	168	CCL Group 11% Conv.Pref	176	0	14.7	8.4	
210	140	Carbo Plc (SE)	205	0	7.6	3.7	12.1
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	
402	355	George Blair	402	0	12.0	3.0	8.9
125	119	Isis Group	125	0			16.4
184	115	Jackson Group (SE)	180	0	7.1	3.9	10.5
322	261	Multihouse NV (AmstSE)	305	0	-	-	-
114	98	Robert Jenkins	114	+2	7.5	6.6	4.3
467	403	Scruttons	467	0	18.7	4.0	12.4
287	270	Torday & Carlisle	285xd	0	9.3	3.3	9.9
117	100	Torday & Carlisle Conv Pref	117	0	10.7	9.1	-
122	92	Trevian Holdings (USM)	98	0	2.7	2.8	10.5
125	106	Unistrut Europe Conv Pref	125	+3	9.3	7.4	
395	355	Veterinary Drug Co. Plc	390	0	22.0	5.6	9.4
370	327	W.S Yeates	333xd	0	16.2	4.9	27.8

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co Limited nor Granville Davies Limited are market makers in these securities

Granville & Co. Ltd.
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of TSA

Granville Davies Limited
8 Lovat Lane, London EC3R 8BP
Telephone 01-621 1212
Member of the Stock Exchange & TSA

NatWest

INTEREST ON STUDENT CURRENT ACCOUNTS

NatWest is pleased to announce that it will be paying interest on current account balances within the NatWest Student Service. On 12 June credit balances will start earning interest at 6% net p.a. (variable) which will be paid quarterly, commencing in September 1989.

Account holders not wishing to receive credit interest should contact their branch immediately.

National Westminster Bank PLC
41 Lothbury London EC2P 2BP

WORLD STOCK MARKETS

NEW YORK (Closing)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

CANADA (Closing)

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

INDICES

NEW YORK — DOW JONES

	June 8	June 7	June 6	June 5	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2516.9	2512.32	2496.32	2480.70	2517.83 (2/6)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	91.83	91.89	91.68	91.44	91.89 (7/6)	87.35 (23/3)	–	–
Transport	1145.70	1145.86	1141.33	1146.02	1165.59 (26/5)	959.95 (3/1)	1165.59 (26/5/89)	12.32 (8/7/32)
Utilities	206.32	205.96	204.78	203.12	205.96 (7/6)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2534.38 (2526.65) Low 2499.82 (2493.38)

STANDARD AND POOR'S	June 8	June 7	June 6	June 5	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	326.75	326.95	324.24	322.03	326.95 (7/6)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	373.58	373.82	371.10	368.52	373.82 (7/6)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.34	31.22	30.93	30.75	31.22 (7/6)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	182.39	182.34	180.93	179.89	181.49 (2/6)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	366.00	364.41	360.84	359.58	364.41 (7/6)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	453.99	453.20	447.96	447.84	453.20 (7/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Jun 2	May 26	May 19	year ago (approx.)
Dow Industrial Div. Yield	3.51	3.38	3.35	3.58

	June 7	May 31	May 24	year ago (approx.)
S & P Industrial div. yield	2.98	3.02	3.03	2.94
S & P Indl. P/E ratio	13.75	13.53	13.46	15.35

TRADING ACTIVITY

† Volume Millions	June 8	June 7	June 6
New York	211.021	213.710	187.570
Amex	14.865	16.861	13.366
OTC	(u)	160.222	142.744

NEW YORK	June 8	June 7	June 6
Issues Traded	1987	2005	1993
Rises	831	976	941
Falls	649	536	564
Unchanged	507	493	488
New Highs	220	243	176
New Lows	11	13	30

CANADA

TORONTO	June 8	June 7	June 6	June 5	1989 High	1989 Low
Metals & Minerals	3475.5	3439.0	3411.5	3421.8	3564.9 (6/2)	3207.5 (3/1)
Composite	3806.1	3785.8	3757.2	3722.1	3806.1 (8/6)	3350.5 (6/1)
MONTREAL Portfolio	1941.57	1929.11	1916.31	1901.56	1941.57 (8/6)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Burling Res	7,289,600	44¼	−2
Eastman Kodak	6,275,300	50⅞	+⅛
Warner Comm	3,925,100	56½	+3
USX Corp	2,991,400	37	+1¼
Paramount	2,965,400	58¼	+3⅛
Time	2,724,300	168	−2
Exxon	1,978,500	43¼	−⅛
Mapco	1,892,100	41⅞	+⅛
AT&T	1,850,800	36½	+¼
Avon Prod	1,729,800	37⅞	+1¼

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 9	June 8	June 7	June 6	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1543.9	1545.4	1534.0	1523.3	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	701.9	702.0	702.9	696.3	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	345.47	338.43	335.86	333.28	345.47 (9/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6128.48	6114.03	6100.36	6099.66	6128.48 (9/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	319.40	316.15	316.77	315.23	319.40 (9/6)	275.49 (27/2)
FINLAND						
Unitas General (1975)	809.6	808.2	807.5	810.5	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	487.9	483.9	483.4	483.3	487.9 (9/6)	417.9 (4/1)
Ind. Tendance (30/12/88)	114.3	114.2	114.0	113.8	114.5 (5/6)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	600.91	600.96	597.32	589.93	600.96 (8/6)	535.78 (27/2)
Commerzbank (1/12/53)	1783.6	1785.4	1771.8	1750.7	1785.4 (8/6)	1595.7 (27/2)
DAX (30/12/87)	1437.29	1438.73	1432.66	1413.78	1438.73 (8/6)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2268.38	(c)	2224.66	2149.71	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	629.93	628.68	622.49	619.18	629.93 (9/6)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33639.98	33718.29	33626.89	33452.0	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2503.41	2504.73	2487.29	2482.58	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen (End 1983)	247.7	247.5	246.3	245.8	247.7 (9/6)	208.3 (3/1)
CBS All Shr (End 1983)	192.9	192.8	191.9	191.5	192.9 (9/6)	166.7 (1/5)
NORWAY						
Oslo SE (2/1/83)	618.73	616.37	625.61	629.44	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1241.21	1207.11	1226.74	1233.13	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1485.0♦	1516.0	1534.0	1445.0	1639.0 (29/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2514.0♦	2517.0	2521.0	2471.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	314.52	313.54	311.29	309.15	314.52 (9/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4053.4	4039.0	4020.0	4001.5	4053.9 (30/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	716.4	706.2	704.2	699.5	716.4 (9/6)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	502.8	502.0	497.8	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

AMERICA

Equities calm as inflation data send bonds soaring

Wall Street

A RISE in US producer price inflation perversely sent dollar bond prices up to their highest level in more than two years in a feverish day of wild price swings in the bond market. Equity investors, by contrast, reacted extremely calmly to the day's events and there was little change in stock prices on Wall Street, *writes Anatole Kaletsky in New York.*

By 2 pm, the Dow Jones Industrial Average was 3.86 points down at 2,513.05, having moved throughout the morning in a narrow range around its overnight close. Trading was moderate, with 121m shares changing hands, as equity investors failed to react to the furious activity in the bond and currency markets and concentrated instead on adjusting their positions in the many takeover stocks – both rumoured and already announced.

The bond market, in contrast, had one of its wildest days on record. It opened up, but fell sharply immediately after the Labor Department announced a 0.9 per cent jump in the May producer price index (PPI). Most Wall Street economists had forecast an inflation rate of only about 0.4 per cent and interpreted the PPI numbers, which showed inflation spreading well beyond the food and energy components, as bad news for the bond market.

However, the bad inflation news sent the dollar soaring on the foreign exchanges and this produced a rapid switchback in bond prices. Within an hour of the PPI report, the Treasury's benchmark long bond had wiped out its initial losses and stood ¾ points above its overnight close. A few hours later, a wave of short-covering as well as significant investment demand from domestic and overseas institutions sent bond prices even higher.

The dollar jumped more than Y3 and 3 pfennigs to Y148.20 and DM2.0065. The dollar's strength against the yen in particular was seen as an important indicator of the sudden resurgence of international demand for US bonds.

Analysts put down the stock market's lacklustre performance to the need for consolidation of the big recent gains, particularly in takeover stocks. Continuing the pattern of the past week, the day's busiest trading was in the entertainment issues, where arbitrageurs continued to juggle their holdings of Time Inc, Warner and Paramount.

Most of the blue chips were mixed, reacting little to the sharp advance in the dollar, which is likely to hurt the profits they report from their overseas subsidiaries. Boeing was an exception, falling sharply by $¾ to $76⅛. Boeing's shares have been weak recently on fears that it will soon announce a major aircraft programme which will absorb much of its immense surplus cash hoard.

Time rose $¾ to $168¼, while Warner gave up $⅞ to $55⅞ and Paramount fell $⅛ to $57⅞. LIN, the cellular telephone and broadcasting company which received a takeover bid earlier this week from McCaw Cellular Communications, which rose another $⅞ to $125⅞.

Canada

QUIET midday trade saw stocks slip amid profit-taking, as a correction set in after a week of heady gains. A much larger-than-expected rise in the US May producer price index had little effect.

The composite index fell 9.2 to 3,796.8 with declines leading advances by 297 to 208 on volume of 12.6m shares.

Fog of gloom obscures Tokyo's brilliance

Stefan Wagstyl explains why Japanese stocks have been marking time since March

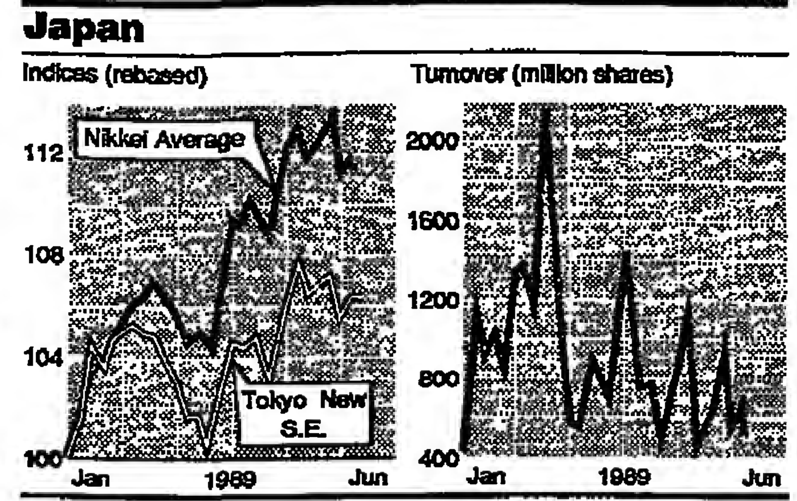
DEPRESSION has recently come down like fog on the Tokyo stock market. There is little sign it will lift until investors start worrying less about currencies and interest rates.

On the face of it, the market's performance since the beginning of the year would seem to have been bright enough. So far the chaos in China does not seem to have had much impact, although there are fears that the steel companies, which were due to export just under 5 per cent of their output to China this year, may be affected.

The Nikkei index of 225 leading stocks, which closed yesterday at 33,639.98, is 11.2 per cent higher than it was in early January.

But the widely-followed Nikkei can be a misleading indicator of the underlying strength of the market. The Topix index of all stocks on the first section of the Tokyo Stock Exchange – a more comprehensive measure – has risen by only 5.4 per cent. This would be enough to make investors in many markets start looking elsewhere – the impact in Tokyo is particularly serious because dividends are low. Capital appreciation is all-important.

Moreover, most of the rise in the market occurred before the end of March. Since then prices have marked time and investors have been losing interest. Daily turnover on the TSE has dropped from an average of 1.2bn shares on the first four months of the year to 809,000 in May. Yesterday it was 660,000.



The reasons are not hard to fathom. The rise in the dollar since March has hit equities in Tokyo in two ways. Firstly, it has rekindled Japanese interest in foreign investment. For the first time since the October 1987 crash, Japanese are buying foreign equities in large amounts. In May they bought nearly $3bn net, compared with $1.9bn for the whole of last year. Purchases of foreign bonds, mainly US treasury bills, have also been high, totalling an estimated $8bn in May following $14bn in April compared with a monthly average of $7.1bn last year.

Interest in foreign securities has spread from institutions to private investors – Tokyo tipsheets have started tipping individual US stocks.

Secondly, the rise in the dollar greatly increased the pressure on the Bank of Japan to push up interest rates in order to dampen fears of a rise in inflation. After agonising over the issue for weeks, the bank eventually increased the Official Discount Rate at the end of last month for the first time in nine years – by 0.75 percentage points to 3.75 per cent.

A welter of announcements of record company profits went almost un-noticed in the stock market. The continuing strength of Japan's economic expansion is taken for granted. The key question is the outlook for interest rates. "This is a very tricky market," says Mr Ron Napier, head of research at Salomon Brothers, the US securities company, in Tokyo.

At W I Carr, Mr John Courtney, a sales manager, says that even though the Japanese economy is strong, worries about currency and interest rates could well bring the market down, possibly quite sharply. Such down-turns often hit Tokyo in the summer. "The seasonal correction could come earlier and it may go further than usual," says Mr Courtney.

The main reason for thinking that interest rates could go higher is concern about inflation. The Bank of Japan has not ruled further increases in the discount rate – if these are needed. As well as the impact of the rising dollar and of an increase in oil prices, the bank is worried about domestic pressures on prices.

The economy is growing so fast that small companies – hairdressers and builders alike – cannot find workers. Consumer prices in Tokyo rose 3.3 per cent last month after a 2.7 per cent increase in April. A year ago the rates were around 1 per cent.

Against this, there are some indications that the pressure on interest rates may be subsiding. The central bank was certainly pleased to see US banks lower prime rates this week. The bank itself allowed short-term rates in Japan to ease in the last few days, feeding funds to the market for the first time in weeks.

Moreover yields on Japanese government bonds have eased slightly this week. After rising since late last year from 4.6 per cent to a peak of 5.55 per cent, the yield on the benchmark instrument, the 111th issue, closed yesterday at 5.38 per cent.

The bulls' view is that the strength of the dollar, and the accompanying surge in Japanese interest rates, is a passing phenomenon. By the end of the year, if not sooner, investors will once again start taking more notice of the real economy, especially the trade balance between Japan and the US, and the yen will recover. Japanese investors will slow their foreign investments and money will flow into Tokyo. The undoubted strengths of the Japanese economy will once again be a self-evident reason for investing in Japan, say the bulls.

The bears answer that even if the dollar falls, it will not drop far, certainly not below Y130. This would reinforce a view that the period of the dollar's long decline against the yen is over. So, even if trade imbalances remain, money will continue to flow across the Pacific. It will flow, not just because of the attractiveness of US bonds or equities, but because of a long-term desire of Japanese institutions to diversify.

This diversification had been growing apace before October 1987 but was interrupted by the crash. A senior Ministry of Finance official said this week that diversification, not a search for short-term trading profits, was now the prime motive for foreign investment by Japanese institutions.

EUROPE

West Germany pauses for breath after hectic week

THE US producer price figures for May were received nervously in bourses that were still open, but the week generally ended on a solid note, *writes Our Markets Staff.*

FRANKFURT closed mixed after a day upset by computer problems at the stock exchange which prevented the real time DAX index and many share prices from being quoted for about an hour.

The market was also taking a breather after two weeks of almost uninterrupted gains. "It's been fairly frantic and most people are actually pretty exhausted," said one salesman.

The FAZ index managed to hold above the 600 level which it breached on Thursday, and it ended just 0.05 easier at 600.91, having climbed by 1.3 per cent this week. The DAX index was provisionally given as 1,437.29, off 1.44 on the day.

Volume dropped to DM3.8bn from Thursday's hectic DM6.6bn and there was an element of nervousness before the US producer price figures, which came after the close.

VW was the day's most actively traded stock, easing DM1.50 to DM414 after its strong rise on Thursday following news the company would keep its Wolfsburg plant running throughout August.

Utility Veba, which on Thursday announced it was taking a 22.5 per cent stake in transport company Schenker, gained DM1.20 to DM303. Elsewhere, Holzmann added DM8 to DM960, although fellow construction company Hochtief denied market rumours it was selling its 20 per cent stake.

PARIS was worried by news of the higher US producer price figures, which wiped out early gains. The opening CAC General index reached an all-time high of 487.9, up 4 points, but the OMF 50 index ended 0.46 lower at 503.55 and the CAC 40 index slipped 2.43 to 1,758.30. Turnover was estimated at less than FFr2.5bn.

The day's best performer was Fives-Lille, the oil exploration company, which shot up FFr62, or 14.2 per cent, to FFr499 on active volume of 186,500 shares, or about 6 per cent of its share capital. The company is facing a long-term restructuring, said one analyst.

Lafarge Coppée, the cement group, continued to benefit from news that it was taking control of Cementia of Switzerland and Asland of Spain. It gained FFr34 to FFr1,889.

LVMH, the drinks and luxury goods concern which held its annual general meeting yesterday, dropped FFr103 to FFr4,065, after hitting a low of FFr3,990. Mr Henry Racamier, chairman of the Louis Vuitton subsidiary, said he was thinking of retiring.

ZURICH was lively, as confidence about steady interest rates helped shares rise across the board. The Crédit Suisse index picked up 7 points to 593.3, a rise of 3.7 per cent this week.

Nestlé, the food company, performed well after Thursday's news that it is likely to receive a listing in London within two months and in Tokyo by the end of the year. Its bearers gained SFr210 to SFr7,350 and its registered shares rose SFr255 to SFr6,700.

Cementia regained some ground, after falling sharply on Thursday in the wake of French group Lafarge Coppée's takeover. Its bearers gained SFr75 to SFr6,050 and its participation certificates rose SFr10 to SFr900.

MADRID ended a week of mixed trading on a firm note, with the general index rising 0.88 to 314.52 in volume estimated at a strong $145m. The bourse has gained 1.3 per cent on the week.

Cement stock Asland plummeted 136 percentage points, or 7 per cent, to 1,800 per cent of par in the wake of Lafarge's taking control. It had unexpectedly risen on Thursday, apparently on local appreciation of the deal. "It was a classic Spanish 24-hour delay," said one broker. "They didn't realise 200 institutions in New York and London were willing to sell as fast as they could."

Stainless steel manufacturer Acerinox recovered 41 to 1,670 from a recent heavy fall; there was talk of a one-for-10 bonus issue in August. Oil stock Repsol climbed 9.75 to 435.5.

AMSTERDAM remained strong in turnover similar to the rest of the week at Fl 803m. Healthy foreign interest helped push the CBS tendency index to a new 1989 high of 186.2, a rise of 0.6 on the day, and 1.6 per cent on the week, although the strong US producer price figures triggered some late profit-taking.

Philips again saw active trading, rising 40 cents to Fl 39, while steel stock Hoogovens found Fl 1.30 to Fl 109.90 amid expectations of good results from British Steel next week.

MILAN rose for a sixth trading day, hitting further 1989 highs, as overseas interest remained. Volume was less heavy than on Thursday, at an estimated L250bn. The Comit index gained 1.25 to 628.68, up 2.7 per cent this week.

STOCKHOLM rose to a new high for the second day running, lifted by Stora's 40 per cent increase in pre-tax profits for the first four months. Stora, which closed SKr10 up at SKr430, helped lift the forestry sector index by 1.1 per cent. The Affärsvärlden General index closed up 5.7 at 1,192.7, a rise of 1.1 per cent for the week, in moderate turnover.

Asea continued its week's advance to close SKr11 up at SKr553 on news of an order for its subsidiary Asea Brown Boveri for a nuclear power station.

OSLO closed mixed in a quiet market. In moderate trading of NKr325.3m, the all-share index fell 1.30 points to 478.06.

SOUTH AFRICA

GOLD stocks declined further in quiet Johannesburg trading in reaction to the weaker bullion price. Bargain-hunting, however, lifted stocks off lows.

ASIA PACIFIC

Political and currency worries depress trade

Tokyo

AN ABSENCE of direction and buying incentives, coupled with currency and political worries, kept the market depressed and share prices drifted lower on distressingly thin volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average started stronger but soon lost energy in a familiar pattern, closing 78.31 down at 33,639.98. The day's high was at 33,812.23 and the low 33,581.49.

Declines outnumbered advances by 476 to 412, while 194 issues were unchanged. Turnover stayed at a thin 519.65m, a further substantial drop from the 660m traded on Thursday. The Topix index of all listed shares fell 1.32 to 2,503.41 but in London the ISE/Nikkei 50 index rose 2.40 to 1,986.10.

A report yesterday that the gap between interest rates in the US and Japan was narrowing sparked some early enthusiasm among investors, but this was soon replaced by concern as the yen faltered against the dollar.

Domestic political worries also continued to cast a shadow that kept institutional investors, in particular, on the sidelines. Mr Sosuke Uno, Prime Minister and leader of the ruling Liberal Democratic Party (LDP), was chosen because of his clean image, but there are some rumblings of a sex scandal. The reaction to him has been lukewarm at best, so concerns about the LDP's prospects in the forthcoming elections to the Upper House of the Diet (Parliament) have not been reduced.

The market needs something dramatic to trigger it into action, said Mr Masami Okuma at UBS Phillips & Drew.

Interest yesterday turned to special situations. Environment-related issues continued to be in favour. Among them, Nippon Shokubai Kagaku Kogyo, a leading chemical maker, gained Y20 to Y2,140.

The company expects record pre-tax profits for a fourth consecutive year.

Taiyo Sanso, which has developed a chlorofluorocarbon-free cleaning system for semiconductor production, was unchanged at Y1,030, after rising Y50 to Y1,080 earlier.

Teijin, a textile maker, at one stage gained Y32 to Y914 on news that it had discovered an antibody to inhibit the AIDS virus. Teijin was the most actively traded issue, with 13.3m shares traded, but closed down Y3 at Y879.

After an initial spurt of buying, Osaka lost energy and the OSE average finished only 63.42 points higher at 32,801.29.

Roundup

MOST Asia Pacific markets turned their gaze inward again after their domination by events in China. Singapore and Hong Kong made strong gains, while Australia was steady.

SINGAPORE was strong after its recent run of weakness, with the Straits Times industrial index rebounding 34.10, or 2.8 per cent, to 1,241.21, encouraged by rises on foreign markets.

The index lost 4.9 per cent over the week as a whole.

Speculation of high tenders for four leading property sites being sold by the Government boosted the property sector. Banking issues also performed well.

HONG KONG had a relatively dull day, as share prices rose in lower volume. "There was some overseas nibbling, mainly on a bargain-hunting basis," said one analyst.

The Hang Seng index gained 43.72, or 2 per cent, to 2,268.38, to reduce its loss for the week slightly to 15.2 per cent. Turnover was HK$1.8bn, down from HK$2.3bn on Thursday.

Hong Kong Telecommunications saw volatile trading, ending 5 cents lower at HK$4.40.

After the close, it announced net profits in line with expectations and stressed its minimal exposure to China.

AUSTRALIA was little changed as interest focused on News Corp. The All Ordinaries index eased 1.5 to 1,543.9 for a gain for the week of 1.3 per cent in volume of 118m shares worth A$277m.

The evaporation of overseas buying left News Corp 70 cents lower at A$15.50, after rising to A$16.90 earlier.

Goodman Fielder Wattie gained 11 cents to A$2.17 after falling the previous day on its takeover of IEL, which was unchanged at A$2.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JUNE 8 1989						WEDNESDAY JUNE 7 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	132.16	+0.1	124.57	116.87	+0.5	4.95	132.09	123.79	116.27	157.12	128.28	144.27
Austria (19)	120.58	−0.2	113.65	123.88	+0.2	2.11	120.82	113.23	123.58	124.16	92.84	87.67
Belgium (63)	128.68	−0.5	121.29	131.70	+0.1	4.17	129.28	121.15	131.51	137.10	126.33	124.31
Canada (124)	141.80	+0.5	133.65	122.95	+0.5	3.32	141.10	132.23	122.30	141.80	124.67	124.52
Denmark (38)	181.81	+0.3	171.36	190.46	+1.1	1.77	181.23	169.85	188.32	181.81	165.35	131.83
Finland (26)	143.98	−0.8	135.70	133.28	−0.4	1.57	145.14	136.02	133.78	159.16	125.81	138.34
France (128)	119.82	−0.4	112.93	126.11	+0.3	3.01	120.26	112.70	125.68	122.79	112.57	99.61
West Germany (100)	85.76	−0.3	80.83	88.16	+0.5	2.31	86.05	80.64	87.75	90.40	79.56	78.71
Hong Kong (49)	92.08	+0.1	86.80	92.16	+0.0	5.86	91.99	86.21	92.16	140.33	86.41	106.20
Ireland (17)	136.77	−0.6	128.91	142.60	+0.0	2.95	137.57	128.92	142.53	151.36	125.00	136.97
Italy (97)	78.18	−1.2	73.69	84.20	−0.2	2.62	79.10	74.13	84.36	86.88	74.97	71.14
Japan (455)	176.14	+0.1	166.01	159.60	+0.7	0.50	176.03	164.97	158.51	200.11	175.13	174.78
Malaysia (36)	171.05	−1.8	161.22	177.83	−1.8	2.70	174.21	163.26	181.16	185.03	143.35	143.51
Mexico (13)	226.26	−1.6	213.26	612.27	−1.8	0.82	230.03	215.58	623.49	230.30	153.32	165.75
Netherland (42)	116.98	−0.4	110.26	118.93	+0.4	4.33	117.40	110.02	118.42	122.22	110.63	107.60
New Zealand (24)	64.55	+2.1	60.84	60.00	+2.4	6.19	63.22	59.25	58.57	76.02	63.22	82.11
Norway (26)	171.40	−2.0	161.55	166.75	−1.3	1.59	174.82	163.83	169.01	198.39	139.92	126.47
Singapore (26)	150.04	−1.9	141.41	134.62	−1.8	2.06	152.94	143.33	137.12	161.98	124.57	117.63
South Africa (60)	140.27	−0.7	132.21	127.76	−0.7	4.14	141.31	132.43	128.70	144.86	115.35	134.39
Spain (43)	145.72	−0.2	137.34	142.18	+0.8	3.55	146.05	136.87	141.02	158.17	143.14	163.27
Sweden (35)	159.01	−0.1	149.87	156.89	+0.5	2.19	159.13	149.13	156.06	162.00	138.45	124.20
Switzerland (57)	75.52	−0.4	71.18	80.18	+0.5	2.54	75.81	71.05	79.78	79.78	67.81	81.08
United Kingdom (314)	139.79	+0.5	131.76	131.76	+1.1	4.41	139.12	130.38	130.38	153.33	134.53	138.96
USA (557)	133.30	+0.0	125.64	133.30	+0.0	3.36	133.36	124.98	133.36	133.36	112.13	110.04
Europe (1005)	116.10	+0.0	109.43	115.11	+0.7	3.57	116.14	108.85	114.34	121.70	112.65	110.60
Nordic (125)	153.42	−0.2	144.60	148.58	+0.5	1.92	153.73	144.07	147.90	155.61	137.95	118.79
Pacific Basin (676)	171.31	+0.1	161.46	155.47	+0.7	0.73	171.22	160.46	154.44	194.72	170.25	170.85
Euro−Pacific (1681)	149.28	+0.0	140.70	139.32	+0.7	1.63	149.25	139.87	138.40	164.22	148.05	146.76
North America (681)	133.71	+0.0	126.03	132.66	+0.0	3.35	133.73	125.33	132.68	133.73	112.79	110.81
Europe Ex. UK (691)	101.17	−0.4	95.36	104.80	+0.4	2.92	101.61	95.23	104.41	105.29	96.30	92.99
Pacific Ex. Japan (221)	113.56	+0.0	107.04	104.07	+0.2	4.96	113.61	106.47	103.86	137.65	111.93	123.77
World Ex. US (1878)	148.98	+0.0	140.42	138.85	+0.6	1.71	148.93	139.57	137.96	162.77	147.69	145.89
World Ex. UK (2121)	142.66	+0.0	134.46	137.48	+0.4	2.05	142.72	133.75	137.00	146.04	138.06	131.38
World Ex. So. Af. (2375)	142.40	+0.0	134.22	137.00	+0.4	2.25	142.39	133.44	136.43	146.65	138.82	132.02
World Ex. Japan (1980)	126.46	+0.0	119.19	125.37	+0.2	3.49	126.50	118.55	125.09	126.50	114.51	111.54
The World Index (2435)	142.39	+0.0	134.20	136.94	+0.4	2.28	142.38	133.43	136.37	146.51	138.83	132.04

Latest prices were unavailable for this edition. Hong Kong market closed June 8.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks
No. of bargains included 10

London County 2½% Cons Stk 1920(or after) – £21 (5Je89)
Corp of London 3½% Deb Stk 83/93 – £71
Greater London Council 6¾% Stk 90/92 – £86½
Birmingham District Council 11½% Red Stk 2012 – £101¾ (2Je89)
Bristol(City of) 11½% Red Stk 2008 – £102
Croydon Corp 3½% Stk – £28½ (5Je89)
Newcastle-Upon-Tyne(City of) 11¼% Red Stk 2017 – £100

UK Public Boards
No. of bargains included 2

Agricultural Mortgage Corp PLC 5½% Deb Stk 93/95 – £81¼ (6Je89)
6¼% Deb Stk 92/94 – £80½ (7Je89)
6¾% Deb Stk 85/90 – £92½ (2Je89)
7¾% Deb Stk 91/93 – £85
10¼% Deb Stk 92/95 – £96½
Clyde Port Authority 3% Irrd Stk – £22 (7Je89)
4% Irrd Stk – £28 (7Je89)
Scottish Agric Sec Corp 7¼% Deb Stk 90/92 – £80¼ (2Je89)

Commonwealth–Government
No. of bargains included 1

Jersey Electricity Co Ld 8% Gtd Stk 2000 – £90

Foreign Stocks, Bonds, etc–(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

[illegible]

2008 – £94 ¾
TSB Hill Samuel Bank Holding Co PLC 8% Uns Ln Stk 89/94 – £86½
Warburg (S.G.) Group PLC 7½% Cum Prf £1 – 84 (7Je89)
Wintrust PLC 10½% Cum Prf £1 – 118 (2Je89)

Breweries and Distilleries
No. of bargains included 476

Allied-Lyons PLC 5½% Cum Prf £1 – 52
7½% Cum Prf £1 – 71
6¼% Red Deb Stk 84/89 – £98 (5Je89)
7¼% Red Deb Stk 88/93 – £86 (6Je89)
11¾% Deb Stk 2009 – £107 7 ¼ ½ (6Je89)
5½% Uns Ln Stk – £50♦
6¾% Uns Ln Stk – £67♦
7½% Uns Ln Stk – £67♦
7¾% Uns Ln Stk 93/98 – £83
Bass PLC 4% Cum Prf £1 – 40
3¾% Deb Stk 87/92 – £80 (7Je89)
8¼% Deb Stk 87/92 – £90½
10⅞% Deb Stk 2016 – £96¼ (6Je89)
4½% Uns Ln Stk 92/97 – £56 (2Je89)
7¾% Uns Ln Stk 92/97 – £81 3
Bass Investments PLC 7¾% Uns Ln Stk 92/97 – £83
Boddington Group PLC 9½% Cnv Uns Ln Stk 2000/05 – £163
Bulmer(H.P.)Hldgs PLC 9½% Cum Prf £1 – 100 (6Je89)
8¾% 2nd Cum Prf £1 – 95½ 6¾ (7Je89)
Everards Brewery Ld 5% Cum Prf £1 – 50♦
Greenall Whitley PLC "A" Ord 5p – 305
Guinness PLC ADR (5:1) – $38.97
Hardys & Hansons PLC Ord 25p – 980
International Distillers & Vintners 8½% Uns Ln Stk 87/92 – £91♦
Macdonald Martin Distilleries PLC "B" Ord 25p – £18.8 (6Je89)
Mansfield Brewery PLC Ord £1 – 490
Scottish & Newcastle Breweries PLC 7% Cnv Cum Prf £1 – 148
7.8% 1st Mtg Deb Stk 89/94 – £88 (6Je89)
Vaux Group PLC 4½% A Cum Prf £1 – 44 (7Je89)
10.75% Deb Stk 2019(Fp/AL-9/6/89) – £96¾♦
Watney,Mann & Truman Hldgs PLC 3¾% Irrd Deb Stk – £34
4¾% Red Deb Stk 88/93 – £74¾ 6 (6Je89)
6% Red Deb Stk 89/94 – £80 (6Je89)
6½% Red Deb Stk 87/90 – £90 (6Je89)
7% Red Deb Stk 88/93 – £83♦
7¼% Red Deb Stk 87/92 – £86½ (2Je89)
10½% Red Deb Stk 90/95 – £97
12¾% Red Deb Stk 2008 – £110¾
8¾% Uns Ln Stk – £74 (2Je89)
Whitbread & Co PLC B Ord 25p – £11.2 (5Je89)
6% 3rd Cum Prf Stk £1 – 57 (7Je89)
7% 3rd Cum Prf Stk £1 – 72
4½% Red Deb Stk 99/2004 – £56 (2Je89)
7% Red Deb Stk 88/93 – £84 (5Je89)
7¼% Uns Ln Stk 86/91 – £90 9½ (2Je89)
7½% Uns Ln Stk 95/99 – £78¾♦
10½% Uns Ln Stk 2000/05 – £98½
5¾% Irrd Uns Ln Stk – £50 1 (2Je89)
Young & Co's Brewery PLC 9% Cum Prf £1 – 110 5

Registered Housing Associations
No. of bargains included nil

North Housing Association Ld 8¾% Gtd Ln Stk 2037 – £76½ 7½ (5Je89)
Zero Cpn Ln Stk 2027 – 270 (5Je89)

Commercial, Industrial, etc
No. of bargains included 16900

ABB Kent PLC 7¾% Deb Stk 88/93 – £86¾ (2Je89)
8% Uns Ln Stk 88/93 – £85
ADT Ld ADR (10:1) – $28½ .62 (6Je89)
AMEC PLC 15% Uns Ln Stk 1992 – £105 (7Je89)
Aerlinte Eireann Teoranta 10½% Stlg Deb Stk 91/96 – £85 (2Je89)
Albion PLC Ord 20p – 83♦
Albright & Wilson Ld 8% Deb Stk 87/92 – £89 (7Je89)
Alcan Aluminium Ld Com Shs of Npv – $33.3 (6Je89)
Alexanders Hldgs PLC "A"(RstV)Ord 10p – 25 (6Je89)
Alexon Group PLC 6.25p (Net) Cnv Cum Red Prf 10p – 98 (6Je89)
Allied-Signal Inc Shs of Com Stk $1 – £21¾♦
Allied Textile Companies PLC 10% Cnv Subord Uns Ln Stk 1993 – £315 (6Je89)
American Brands Inc Shs of Com Stk $3.125 – $58⅝ (2Je89)
Ashley Group PLC 8.25p (Net) Cum Red Cnv Prf 5p – 104 5 6
Associated British Engineering PLC 4.9% Cum Prf £1 – 50 (5Je89)
Associated British Foods PLC 7½% Uns Ln Stk 87/2002 50p – 40 (7Je89)
8¼% Uns Ln Stk 91/96 – £83 (5Je89)
Assec(BSR) PLC 5½% Uns Ln Stk 85/90 – £87 (6Je89)
Attwoods PLC ADR (5:1) – $35 (6Je89)
Attwoods (Finance) NV 8½p Gtd Red Cnv Prf 5p – 145 50 1 2
Austin Reed Group PLC Ord 25p – 390 (5Je89)
Automated Security(Hldgs) PLC 5% Cnv Cum Red Prf £1 – 172 (5Je89)
6% Cnv Cum Red Prf £1 – 124
Avesco PLC Cum Ptg Cnv Red Prf 1997 1p – 119
B.A.T Industries PLC ADR (1:1) – $8.799673 .874671 .95 .97 .99 10.05 .1 .12 .1675 .17 .2 .22 ¼
B.A.T. Investments PLC 10% Uns Ln Stk 90/95 – £98¼
10½% Uns Ln Stk 90/95 – £98¾
BICC PLC 6% 1st Cum Prf Stk £1 – 59♦
5½% 2nd Cum Prf Stk £1 – 50
7% Deb Stk 85/90 – £93
BM Group PLC 4.9p (Net) Cnv Cum Red Prf 20p – 122
BOC Group PLC 4.55% Cum Prf £1 – 67♦
3.5% Cum 2nd Prf £1 – 50 (7Je89)
12¾% Uns Ln Stk 2012/17 – £107¾ ¾
B.S.G.International PLC 12½% Uns Ln Stk 93/98 – £98 (5Je89)
BTP PLC 7.5p(Net) Cnv Cum Red Prf 10p – 107 ½ 8
BTR PLC ADR (4:1) – $22¼ (5Je89)
Bailey(C.H.) PLC "B" Ord 10p – 60
Baldwin PLC 7% Cum Prf £1 – 67♦
Bardsey PLC Warrants to sub for Ord – 30
Barratt Developments PLC 8½% Uns Ln Stk 92/97 – £87 (5Je89)
Batleys PLC 10% Cum Prf £1 – 100 (7Je89)
Beauford PLC 7p (Net) Cum Cnv Red Prf 10p – 113 (2Je89)
Beazer PLC 8½% Cnv Uns Ln Stk 2000 – £144
Blue Arrow PLC ADR (10:1) – $15.169494 ½
Blue Circle Industries PLC 5½% 2nd Deb Stk 1984/2009 – £60 5 (7Je89)
Boots Co PLC ADR (2:1) – $8.45
7½% Uns Ln Stk 88/93 – £85
Bowater Industries PLC 4.35% Cum Prf £1 – 61
Brent Chemicals International PLC 9% Cum Red Prf £1 – 94 ¾ 5 (6Je89)
Bridon PLC 8¾% Uns Ln Stk 2002/07 – £85 (6Je89)
7¾% Uns Ln Stk 2002/07 – £80 (5Je89)
British Airways PLC ADR (10:1) – $32.1♦ .225♦
British Alcan Aluminium PLC 10⅞% Deb Stk 2011 – £96
10½% Deb Stk 89/94 – £94 (6Je89)
British-American Tobacco Co Ld 5% Cum Prf Stk £1 – 47½ 9 (2Je89)
5% 2nd Cum Prf Stk £1 – 59
British Fittings Group PLC 5.5% Cnv Red Prf £1 – 87 (6Je89)
British Rayophane Ld 5.25% Cum Prf £1 – 65♦
British Shoe Corp Hldgs PLC 6½% Cum 3rd Prf £1 – 55 (5Je89)
7% Uns Ln Stk 85/90 – £87
British Steel PLC ADR (10:1) (Fully Pd) – $13.95 .97
British Sugar PLC 10¾% Red Deb Stk 2013 – £97⅝♦
Brown & Jackson PLC 10.75% Cnv Cum Prf £1 – 102
Bulgin(A.F.) & Co PLC Ord Stk 5p – 115 (7Je89)
Bunzl PLC 7% Cnv Uns Ln Stk 95/97 – £92 4 5½‡
Burndene Investments PLC 15% Uns Ln Stk 2007/12 – £112 (5Je89)
Burton Group PLC 8% Uns Ln Stk 98/2003 – £70 (2Je89)
8% Cnv Uns Ln Stk 1996/2001 – £97 9 100
Buttin's Ld 6% 2nd Mtg Deb Stk 92/97 – £82 (5Je89)
C.H.Industrials PLC 7% Cnv Cum Prf £1 – 235♦
Cadbury Schweppes PLC 8¾% 1st Mtg Deb Stk 94/2004 – £96♦
Caffyns PLC 10% Cum Prf £1 – 110♦

Financial Trusts, Land, etc

Mines – Miscellaneous

Mines – South African

Oil

Property

Insurance

Investment Trusts

Unit Trusts

Plantations

Railways

Shipping

Utilities

Water Works

USM Appendix

The Third Market Appendix

Rule 535(2)

[illegible]

LONDON STOCK EXCHANGE

Equities steady after erratic session

A WEEK which has seen more than its usual share of drama on the global stage closed yesterday with the UK stock market holding on to the ground recovered over the previous three trading sessions. There was little further reaction from Far Eastern-orientated stocks to the events unfolding in China. Across the broader range foreign investors, showing an uncertain response to the latest US producer price index, were less visible than on Thursday.

The market advanced in early trading, largely on the back of buying orders left over from the previous day. However, the initial gain of nearly

Account Dealing Dates

*First Dealings:	May 22	Jun 5	Jun 19
Option Declarations:	Jun 1	Jun 15	Jun 29
Last Dealings:	Jun 2	Jun 16	Jun 30
Account Day:	Jun 12	Jun 26	Jul 10

*New time dealings may take place from 9.00 am two business days earlier.

11 Footsie points proved untenable and gains had largely vanished before the US producer price data arrived.

The gain of 0.9 pc in the US Producer Index was above some expectations, and London shied away from the initially bearish response in New York. The Footsie Index quickly dipped by 10 points, although without much significant selling of either equities or Government bonds. Then, with Wall Street content with a minor fall in early trading, London rallied to close on an irregular, subdued note.

At its final reading, the FT-SE Index was a net 1.3 down at 2,142.1, rounding off a successful first week to the equity trading Account. Over the week, the Footsie has recovered 39.5 points of some 1.9 per cent of the loss suffered since weakness in sterling raised fears that domestic base rates might have to go up again, only days after they were raised to 14 per cent. The equity market took little heed of a late dip in the pound yesterday.

Tensions over UK rates have also slackened as the Federal Reserve eased its credit stance in the US markets. Indeed, an important spur behind UK equities has been a spate of selective buying from the US which was touched off by the $6.5bn bid for LIN Broadcasting.

In addition to inspiring a fundamental re-rating of the cellular phone interests of the two Racal companies in London, the US buying has ranged across a number of UK groups regarded by American investors as under-priced – with BAT Industries in pride of place.

The UK stock market is still 2.8 per cent off its post-Crash peak of FT-SE 2,204.7 reached on May 19 and next week brings important challenges in the form of the US trade figures on Thursday and the latest UK Retail Price Index the following day. Doubts also continue to cloud the securities trading environment in London, despite signs this week of modest overseas interest in UK equities. The markets buzzed again yesterday with hints of impending staff cutbacks, this time among London agency brokers rather than market makers.

FINANCIAL TIMES STOCK INDICES

	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.80	84.96	84.59	84.43	84.43	88.69	89.29 (6/2)	84.43 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.42	95.36	95.98	96.14♣	96.25	98.12	99.69 (15/3)	95.36 (8/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1775.7	1773.0	1755.2	1753.0	1737.0	1466.2	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	189.5	190.2	190.1	180.7	175.5	228.8	195.1 (29/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.54	4.55	4.53	4.54	4.58	4.50				
Earning Yld %(full)	11.00	11.01	10.97	10.99	11.10	11.57				
P/E Ratio(Net)(*)	11.01	11.00	11.04	11.02	10.91	10.54				
SEAQ Bargains(5pm)	28,266	28,312	24,857	24,895	24,555	25,790				
Equity Turnover(£m)†	-	1890.83	1300.86	1148.76	1210.90	1517.85				
Equity Bargains†	-	31,847	28,695	27,390	28,511	30,223				
Shares Traded (ml)†	-	622.5	465.6	458.3	428.0	591.0				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1782.1	1777.6	1778.2	1778.9	1779.4	1769.6	1769.6	1776.5

DAY'S HIGH 1782.4 DAY'S LOW 1766.7

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 10.92 †Excluding intra-market business. ♣ corrected figure.

S.E. ACTIVITY

Indices	Jun 8	Jun 7
Gilt Edged Bargains	100.6	92.6
Equity Bargains	206.3	167.5
Equity Value	3621.5	2629.0
5-Day average		
Gilt Edged Bargains	103.5	105.7
Equity Bargains	194.1	191.0
Equity Value	2904.3	2717.7

● London Report and latest Share Index: Tel. 0898 123001

Edelman move rejected

It was a lively session for Storehouse, with the shares settling well below the best of the day after the board had refused to countenance a new approach from Mr Asher Edelman which it characterised as, "neither an offer nor a firm intention to make an offer".

Shares in Storehouse, one of the market's longest-running bid targets, attracted heavy interest throughout the session as Mr Edelman, the US arbitrageur, announced he would make a bid of 185p a share for the group, but qualified this by saying the bid would be made subject to agreement from the Storehouse board and to financing for the bid having been put in place.

The shares, having opened at 160p, eased a shade to 158p immediately on the news but then raced ahead to 174p before again subsiding and eventually settling a net 4 higher at 162p. Turnover at the end of the session totalled 9.9m shares.

Dealers took the view that the Edelman statement was intended to get Storehouse shares up and induce a bid from another party. Stories in the market yesterday suggested that other parties, and especially continental European groups, could well have been taking a hard look at the company.

Another story was that Mr Edelman had already agreed a price with another potential bidder and that a full scale offer would be revealed on Monday.

Offer for parent

AMI Healthcare continued to firm on news that its parent, American Medical International, the Beverly Hills hospital management group which holds 65 per cent of the UK company, had received a second takeover offer. The first offer, on Monday, had already boosted AMI Healthcare's price, which yesterday added 22 at 402p.

Mr Ian Moore, analyst at UBS Phillips and Drew, outlined three possible outcomes of a successful bid. One, the parent might try to purchase the 35 per cent it does not own. Two, it might dispose of the 65 per cent stake either to UK management or to a third party. Three, it might do nothing.

Mr Moore ruled out the last alternative, on the grounds that the takeover bids have been launched amid concern over management of the UK company. The other options would involve large share transactions at higher prices than the current level. The second route would help cut the new owners' debt; the UK business is its most profitable operation.

Both Mr Moore and Mr Paul Woodhouse, of Citicorp Scrimgeour Vickers, suggest £5 a share is about right and recommend shareholders to sit tight. Bupa has been mentioned in the market as a possible buyer of the stake.

Burmah bought

Burmah Oil, the oil and chemicals group, moved up strongly to touch 598p at one point before slipping back to close a net 4 higher at 594p on turnover of 1.3m. The initial gain came after news that Pennzoil, the US independent oil group had sold its near 8 per cent stake in Burlington Resources for $540m.

Dealers said speculators had piled into Burmah on hopes that Pennzoil would use the proceeds from its investment in Burlington to help finance a bid for the UK company, itself long-regarded as a potential target for either one of the European or American oil/chemical companies.

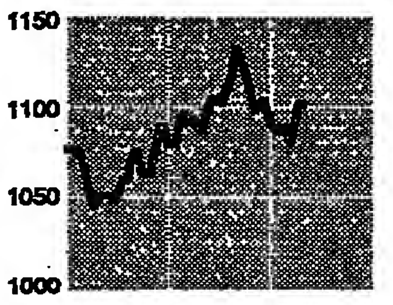
But there was considerable scepticism over the likelihood of a Pennzoil offer for Burmah. Mr Keith Morris, part of the oil team at stockbroker Kitcat & Aitken, said investors should use the the bounce in Burmah to switch to Ultramar.

Brewers hopeful

Hopes that Lord Young, the Trade and Industry Secretary, will take a softer line with the national brewers provided the keynote in an active brewery sector. It responded to hints that the measures recommended by the Monopolies & Mergers Commission may not be applied to regional and local brewers. The MMC's chief proposal, that ownership of pubs by individual brewers should be limited to 2,000, remains under consideration and the stock market expects a firm decision before the end of the month.

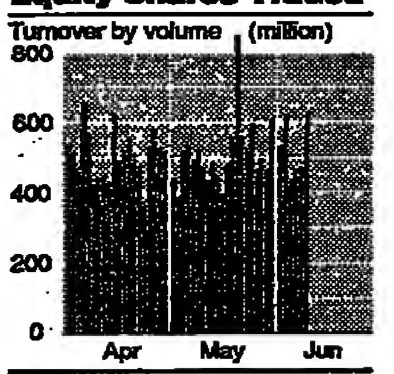
The brewery sector, which has traded nervously since the report was published, went into ferment early yesterday with both national and regional stocks showing to advantage before generally easing from the highest levels. Analysts remained guarded with Mr Ian Shackleton of Citicorp Scrimgeour Vickers urging caution until the big question is clarified. "The important point to remember is that we will find out sooner rather than later," said the researcher.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Of the nationals, Bass added 11 at 969p while top spot among the regionals went to Wolverhampton & Dudley, 12 higher at 444p; both were recent County NatWest Wood-mac buys. Greene King firmed to 516p but the most active stock was Guinness. The MMC report has no implications for the group, sentiment in which has been positive since it was published and the shares jumped 12 more yesterday to 506p.

Scottish & Newcastle, which should be affected, were again subject to speculation concerning the stake held by Mr John Elliott's Elders IXL. The latest story suggested S&N might boost earnings by selling the Thistle Hotels and using the funds to buy part of Elders 23.6 per cent shareholding. S&N shares settled 5 dearer at 318p.

Rank Organisation slipped 13 to 954p in tiny volume as some brokers said that this week's analysts' "mega-trip" to Butlins and a film processing plant "told them nothing new." The price had risen ahead of the visit as dealers anticipated a positive announcement. Mr Bruce Jones of broker Kitcat and Aitken said the stock was "rated about right for the short term, and is attractive longer term." Figures are due next month.

London-based institutions bought Beecham after a long series of presentations by Mr Bob Bauman, the chairman, on prospects for the merger with SmithKline Beckman of the US. One analyst said that index funds would be buyers of the stock because the merged entity is likely to be entirely London-based and have a greater representation in FT-Actuaries share indices.

Investors switched from Dutch-quoted Unilever NV to London-quoted Unilever, which firmed 2 to 556p. Unilever is trading at an 8 per cent discount to the NV," explained a dealer.

Midland Bank shares came in for profit-taking and dropped 14 to 349p on turnover of 2.4m as the market interpreted the KIO's purchase of the 5.2 per cent stake previously held by Hanson as a non-predatory move. The Daily Official List published yesterday showed that the 38.5m Midland shares representing the Hanson stake changed hands on Thursday at 365p a share.

NatWest drew good support, closing 9 ahead at 597p on turnover of 2.6m amid talk of an imminent US acquisition.

Standard Chartered, a strong market in recent days after the reorganisation and staff cuts, were upset by profit-taking and fell 5 to 523p. TSB were among the dullest of the banks, the shares approaching a year's low and closing 1½ easier at 104½p on turnover of 1.3m.

Big two-way activity in Prudential saw the turnover expand rapidly to 5.7m but the shares were barely altered at 180½p at the close of trade. The recent downgradings left Guardian Royal easier at 199p.

British Telecom made rapid progress, closing an excellent week with a further 8½ rise at 277½p on turnover of 12m; over the week BT shares have risen 31, helped by a revaluation of cellular stocks after the $6.5bn bid by US cellular radio group McCaw for LIN Broadcasting. Also boosting BT has been switching into the shares from Cable & Wireless and the Racal stocks. Messrs Martin Mabbutt and Hank Powell, at Nomura Research Institute, issued a note recommending the switch from Racal Electronics to British Telecom. The Nomura analysts said "BT represents a much lower risk means of investing in the cellular radio industry than the other quoted vehicles, which have outperformed dramatically in recent months."

Racal Electronics fell 17 to 548p on turnover of 6.4m and Racal Telecom 10 to 505p after the Nomura switch recommendations but were also said to be vulnerable ahead of next Tuesday's preliminary figures; the electronics team at Panmure Gordon is forecasting pre-tax profits of £183m for Electronics and £74.2m for Telecom.

Cable & Wireless edged up 4 to 473p on 4.8m; C & W's preliminary figures are scheduled for Wednesday with Mr Patrick Wellington at County NatWest going for pre-tax profits of £415m against £356m; Mr Wellington says "with negative news from China likjely to predominate for some time we believe the recent weakness has further to go."

Lucas leapt 18 to 649p, after 651p, when dealers were caught short of stock. "Aggressive buying by a small agency broker," said a marketmaker.

Ranks Hovis Macdougall advanced 5 to 444p, after 446p, following encouraging comments made by Warburg Securities analysts at their morning meeting with dealers. They argued that the takeover earlier in the week by French group BSN of Nabisco's European brands called for a more positive assessment of RHM's brands.

Good full-year profits revealed on Tuesday continued to help Argyll Group, up 4 at 208p. One marketmaker also pointed out that with the imminent extraction of Gateway from the market – most dealers are confident that the Isosceles takeover will go ahead – investors have little choice if they want to keep their weighting in the supermarket sector.

Kwik Save climbed 8 to 472p on suggestions that its 25 per cent stakeholder, Dairy Farm, would raise its holding. Dairy Farm, based in Hong Kong, is 40 per cent held by the far-east giant Jardine Matheson. Dealers feel that Hong Kong companies will redouble their efforts to diversify out of the colony following the turmoil in China. One said, however, that a bid was at least several weeks away: "Dairy Farm has two people on the Kwik Save board and they would have to quit a month ahead of any bid."

European and US investors refuse to discard the notion that Jaguar will either find an international partner or eventually be taken over when the Government's "golden share" expires at the end of next year. Another good trade built up in the shares which rose to their best level for some time of 365p, a gain of 3 on the day and one of 21 over the week.

The agreed final offer from Corton Beach of 425p cash put Lyon & Lyon up 68 to 413p.

Another surge in Reed International, up 16 at 418p, suggested that either the group's long-term strategy is finding increasing favour with investors or that speculators are looking forward to possible predatory moves.

British Gas continued to attract attention, with the shares bid up to 187p on buying prompted by Thursday's good results and subsequent press comment.

■ Other market statistics, including the FT-Actuaries Share Index, Page 9

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change
ASDA Group	5,500	171	+2
Allied-Lyons	1,800	433	+2
Amstrad	4,800	84	+½
Argyll Group	2,300	208	+4
Ass. Brit. Foods	538	365½	+2½
BAA	925	359	
BAT Inds.	7,200	630	-6
BET	890	282	
BICC	339	513	-2
BOC	1,300	477	+1
BPB Inds.	2,800	240	+½
BTR	1,200	372½	-2½
Barclays	1,300	457	+4
Bass	1,500	969	+11
Beecham	1,900	624	+5
Blue Circle	583	567	-3
Boots	3,300	231	-5
Brit. & Comm.	876	176	-2
Brit. Aerospace	1,100	685	-2
British Airways	2,968	199	+4
British Gas	18,000	186½	
British Land	299	353	-6
BP	5,700	289½	
British Steel	8,073	87½	-1
British Telecom	12,000	277½	+8½
Burmah Oil	1,300	594	+5
Burton	429	214	-4
Cable & Wireless	4,525	473	+4
Cadbury Schweppes	572	356	
Carlton Comms.	320	857	
Commercial Union	98	369	-3
Cons. Gold Fields	452	1253	-5
Costain	1,200	332	-½
Courtaulds	1,400	338	+2½
Dalgety	265	357	-1
Dixons	4,500	150	-3
Eng. China Clays	335	457	-2
Enterprise Oil	138	535	-2
FKI Babcock	3,500	171	+4
Fisons	1,800	303	-2
Gateway Corp.	3,100	210½	
General Accident	205	935	-4
General Elect.	2,000	236	-3
Glaxo	1,200	1345	-10
Globe Inv.	185	175½	-½
Glynwed Int.	620	294	-4
Granada	482	342	-1
Grand Met.	1,600	541	+2
GUS A	227	1820	-5
GRE	1,300	199	-½
GKN	307	396	
Guinness	3,520	506	+12
Hammerson "A"	51	789	-3
Hanson	5,800	198½	-1
Harrisons & Cros.	657	167½	-1½
Hawker Siddeley	614	712	-8
Hillsdown Hldgs	1,000	280	+2
IMI	909	227	-3
Imp. Chem.	885	1245	-2
Inchcape	932	249	-1
Jaguar	2,400	365	+3
Kingfisher	884	295	-7
Ladbroke	999	585	-2
Land Securities	1,300	568	-8
Laporte	59	403	-1
Legal & General	1,300	314	-1½
Lloyds Bank	1,400	354	
LASMO	599	465	-1
Lonrho	824	269	-2
Lucas	974	649	+18
MB Group	1,500	200	
MEPC	162	570	-6
Marks & Spencer	2,300	186½	-½
Maxwell Comm.	3,500	183	-1
Midland Bank	2,400	349	-14
Nat. West. Bank	2,600	597	+9
Next	520	141	-4
Northern Foods	195	307	+2
Pearl	458	446	-1
Pearson	409	715	+8
P & O	715	649	-9
Pilkington	796	224½	-2½
Plessey	343	261	
Polly Peck Intl.	4,100	398	+8
Prudential	5,655	180½	+½
RHM	3,000	444	+5
RMC	328	748	-11
RTZ	1,000	582	-4
Racal	6,337	548	-17
Rank Org.	180	954	-13
Reckitt & Colman	138	1133	-15
Redland	1,300	577	-14
Reed International	2,500	418	+16
Reuters	739	779	-3
Rolls Royce	1,300	192	-2
Rothmans	259	532	-2
Royal Bk of Scotland	525	388	+3
Royal Insurance	1,200	373	
STC	578	342	-3
Saatchi & Saatchi	1,450	314	
Sainsbury	2,200	249	+2
Scott & Newcastle	2,000	318	+5
Sears	2,700	118	-1
Shell Transport	2,100	410	-3
Siebe	276	518	+13
Slough Ests.	141	317	
Smith & Nephew	992	133½	-1
Smiths Industries	651	321	+6
Standard Chartered	204	523	-5
Storehouse	9,900	162	+4
Sun Alliance	95	1105	+5
T&N	632	235	-1
TSB	1,300	104½	-1½
Tarmac	2,300	315	-10
Tate & Lyle	772	256	-3
Taylor Woodrow	93	641	-6
Tesco	1,400	181½	+1
Thorn EMI	412	717	-1
Trafalgar House	567	360	-2
Trusthouse Forte	2,200	326	+5
Ultramar	782	298	-1½
Unilever	1,400	556	+2
United Biscuits	782	337	-2
Utd Newspapers	996	458	+3
Wellcome	956	430	-1
Whitbread "A"	1,900	359	-1
Williams Hldgs.	576	250	
Wimpey	701	277	-4

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (189).
LOANS (2) AMERICANS (38) CANADIANS (13) BANKS (4) Brown Shipley, Deutsche Bk., Rothschild (J.), Sec. Pacific, BREWERS (9) Guiness, Mansfield Brewery, Marston Thompson, BUILDINGS (8) CHEMICALS (6) STORES (4) Asprey, Aquascutum, Do. "A", Summer Int. 7.5pc Pf., ELECTRICALS (7) ENGINEERING (8) FOODS (5) INDUSTRIALS (21) Alfa-Laval, Astra AB, Amer. Bus. Systems, Ass Brit Consultants, Beaverco, Colorgen, Cooper (Alan), Creighton Labs., Davies (D.Y.), Dover, French (Thos.), Handley-Walker, Hawthorn, RCO, Reliance Sec., Securicor, Do. "A", Security Services, Spong, TSN, Tamaris, INSURANCE (9) LEISURE (4) MOTORS (3) Dowty, Jaguar, Lyon & Lyon, NEWSPAPERS (2) Euromoney Pbs., News Corp., PAPERS (4) Acsis, More O'Ferr., Scott Paper, WCRS, PROPERTY (8) SHIPPING (1) Sea Containers, TRUSTS (18) OILS (8) Coastal, Cons Brinco, Occidental Pet., Pict. Pet., Sceptre Res., OVERSEAS TRADERS (2) Antofagasta, Gt. Nordic, MINES (3) Beatrix Mines, Meelalberra, Willoughby's Cons., THIRD MARKET (3) Associated Farmers, Haemocell, Poddington.

NEW LOWS (27).
INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Int-Am Dev. Bk. 9¼pc Ln 2015, CORPORATION LOANS (1) Manchester 11½pc 2007, BUILDINGS (3) Anglia Sec., Prowting, Travis Perkins, STORES (3) DAKS Simpson "A", Gabicci, Knobs & Knockers, ELECTRICALS (4) Amstrad, Optra, Telecomputing, Utd. Scientific, ENGINEERING (1) SKF AB, FOODS (1) Ptarmigan, INDUSTRIALS (6) Coated Electrodes, Halls Homes & Gdns., Mainmet, Metal Closures, Oakwood, LEISURE (1) Hanimex A, NEWSPAPERS (1) Maxwell Comms., PROPERTY (1) UK Land, TRUSTS (1) Dominion Int., OILS (2) Gullstreams, Southwest Res., MINES (1) Waverley Mining Fin., THIRD MARKET (1) UPL Gp.

RISES AND FALLS

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	6	86	14	250	215	65
Corps. Dom. & Foreign Bonds	8	13	21	43	35	132
Industrials	387	368	833	2,066	1,790	4,046
Financial and Props	144	126	390	836	863	1,785
Oils	22	27	45	115	123	236
Plantations	1	1	10	5	17	38
Mines	35	56	88	304	172	419
Others	101	46	97	479	290	471
Totals	704	721	1,498	4,098	3,305	7,192

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday June 8

Transport	+	33.72	Oil & Gas	+	18.86
Agencies	+	32.09	Consumer Group	+	18.51
Mechanical Engineering	+	28.69	Brewers and Distillers	+	17.60
Building Materials	+	27.48	Gold Mines Index	+	17.48
Electronics	+	27.28	Stores	+	16.76
Food Retailing	+	26.25	Textiles	+	14.83
Conglomerates	+	25.82	Food Manufacturing	+	14.78
Motors	+	25.16	Insurance(Life)	+	14.35
Electricals	+	24.39	Contracting,Construction	+	12.11
Capital Goods	+	24.15	Banks	+	11.23
Other Industrial Materials	+	23.70	Mining Finance	+	10.72
Health & Household Products	+	23.44	Financial Group	+	9.47
Investment Trusts	+	22.84	Packaging & Paper	+	9.16
Chemicals	+	22.62	Telephone Networks	+	8.78
Leisure	+	22.06	Publishing & Printing	+	8.63
Industrial Group	+	21.51	Property	+	8.57
500 Share Index	+	21.13	Insurance(Composite)	+	7.39
Other Industrial Materials	+	20.20	Insurance(Brokers)	+	6.88
Metals & Metal Forming	+	19.56	Merchant Banks	+	4.65
All Share Index	+	18.96	Overseas Traders	+	1.95

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-20	-11/32	11.38	11.37	11.05
		9.750	1/98	94-22	-13/32	10.71	10.70	10.30
		9.000	10/08	93-28	-16/32	9.70	9.70	9.32
US TREASURY *		9.125	5/99	106-10	+26/32	8.17	8.51	9.20
		8.875	2/19	107-30	+53/32	8.23	8.48	9.11
JAPAN	No 111	4.600	6/98	94.9145	-0.634	5.44	5.38	5.35
	No 2	5.700	3/07	105.3884	-0.593	5.12	5.12	5.06
GERMANY		6.375	11/98	96.5500	+0.050	6.87	6.86	7.00
FRANCE	BTAN	8.000	1/94	96.7477	+0.040	8.88	8.84	8.95
	OAT	8.125	5/99	96.0300	+0.020	8.73	8.78	8.87
CANADA *		10.250	12/98	105.7500	+0.375	9.32	9.54	10.19
NETHERLANDS		6.7500	10/98	96.6250	-0.075	7.25	7.37	7.29
AUSTRALIA		12.000	7/99	90.7242	+0.027	13.73	13.80	13.45

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Cocoa market gains consolidated

THE COCOA market continued to defy the prophets of doom this week as confirmation of a long-rumoured Ivory Coast sale helped prices to consolidate recent gains.

The July position on the London futures market, which only a few weeks ago had dipped briefly below the £700-a-tonne mark, closed yesterday at £817 a tonne. Second position September ended the week with a £33 gain at £835 a tonne.

Providing the main impetus for this week's rise was a large deal between the Ivory Coast and Philipp Brothers, the big New York trade house, revived rumours of which had driven the September futures price to a 2¼-month peak of £865 a tonne on Thursday morning.

As often happens, however, the confirmation, which came yesterday morning, was greeted with less excitement than the rumour. September cocoa touched £843 a tonne yesterday morning but finished the day only £8 up at £835 a tonne.

Under the deal Philipp Brothers – or Phibro as it is familiarly known – is buying 280,000 tonnes of Ivorian beans, representing the balance of the country's 1988-89 crop. This was announced in Abidjan by Mr René Amani, managing director of the Ivory Coast's Caisse de Stabilisation (commodities marketing board). He said this took 1988-89 sales to 880,000 tonnes, but did not say how much of this consisted of supplies carried over from the previous season. In its March market report Gill & Duffus, the London trade house, estimated the 1988-89 Ivorian crop at 685,000 tonnes.

Neither did Mr Amani give price or shipment details concerning the Phibro deal, saying only that it was based on "current market levels."

Mr Derek Chambers, a Phibro director in London, was no more forthcoming. "We hope this works out to be a good deal both for the Ivory Coast and for Philipp Brothers," he said, ". . . but we will not comment on the details of the deal."

While recognising that the deal does nothing in itself to detract from the weight of stocks overhanging the world cocoa market – estimated by Gill & Duffus at 896,000 tonnes, or about 22 week's consumption – traders are concerned that the holding of such a large block by a single operator may limit market access to nearby Ivorian supplies.

The attention of coffee traders was focused firmly this week on the negotiating session in London on the future of the International Coffee Agreement. And as early news from that meeting did not appear quite so gloomy as had been widely anticipated the futures market managed a modest rally. The September position peaked at £1,210 a tonne yesterday morning before ending £20 up on the week at £1,195 a tonne.

Any hope that a new pact could be agreed to replace the present one when it expires in September had quickly been abandoned. But there were signs that an extension to the existing agreement might be within reach.

Even that prospect appeared to be fading yesterday, however, as progress at the talks slowed almost to a standstill. Nevertheless, the possibility of extending the talks into the weekend was not being ruled out.

At the London Metal Exchange meanwhile, base metals markets experienced mixed fortunes. Copper and zinc staged substantial rallies while aluminium continued to lose ground and nickel dipped to a 6-month low.

Cash lead eased back from the highs which had been prompted by fears of a technical supply squeeze, but strong background fundamentals – particularly the unexpected strength of demand for car batteries – lifted the three months position to the highest level for nearly two years.

Copper had got off to a fairly sticky start, with the cash position falling £26 on Monday in spite of the announcement of another big fall in LME warehouse stocks. Prices then got onto an upward course, however, and a £51 rise yesterday left the cash quotation £82 up on the week at £1,655 a tonne.

That performance was aided, admitedly, by sterling's weakness against the dollar, but the stocks situation was also, somewhat belatedly, having an impact. Last week's 10,525 tonnes fall to 103,100 had followed one of 17,800 the previous week; and yesterday traders were predicting that a further 5,000 tonnes fall would be announced for this week.

Cash nickel's $125 fall to $12,525 a tonne reflected merchant selling and continued lack of consumer demand, while aluminium's $67.50 decline to $1,920 a tonne – its lowest since mid-March – was influenced by talk of a 10,000 tonnes LME stocks rise for this week, which would take the total above the 100,000-tonnes mark.

Richard Mooney

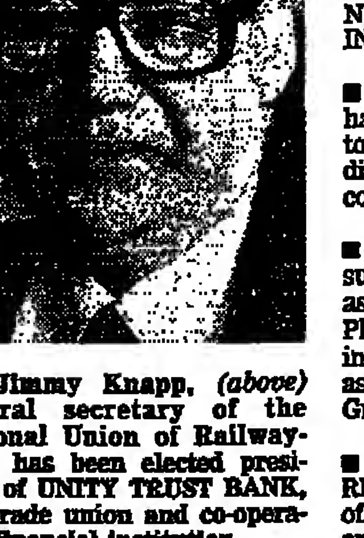
APPOINTMENTS

Mobil finance director

■ Mr Rex W. Willoughby has been appointed accounting and finance director of MOBIL OIL COMPANY, London, from August 1. He was manager, accounting and finance, Mobil Oil Southern Africa, Cape Town, and replaces Mr Dan Riordan who returns to Mobil Corporation, New York, as manager, financial analysis and controls.

■ Sir John Riddell, private secretary to the Prince and Princess of Wales, will become deputy chairman of CREDIT SUISSE FIRST BOSTON in the middle of next year. He has been an executive director of the bank for many years.

■ Dr Binford H. Putnam has joined KLEINWORT BENSON as a director and chief economist. He was head of Morgan Stanley's international fixed income research team, and has served with Stern Stewart & Co, New York; Chase Manhattan Bank; and Federal Reserve Bank of New York, as well as writing for economic journals.



Mr Jimmy Knapp, *(above)* general secretary of the National Union of Railwaymen, has been elected president of UNITY TRUST BANK, the trade union and co-operative financial institution.

■ MOTOROLA INC's radio-telephone systems group has appointed Mr David Hughes as general manager of the cellular infrastructure European operations, based in Swindon. A vice president, he joined the company in 1979.

■ KIDDER, PEABODY SECURITIES, London, has appointed Ms Pascale Fontaine to be a fixed income sales generalist, covering accounts in France, Belgium and parts of Luxembourg. She was with Baring Brothers & Co.

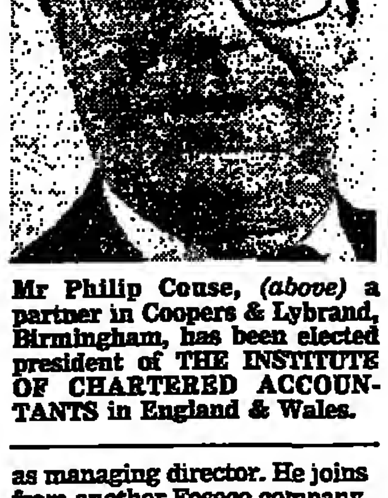
■ Mrs Carolyn Humpherson has been appointed group company secretary of WAGON INDUSTRIAL HOLDINGS. She was deputy group company secretary at Tomkins. Mr Jeff Walker has been promoted to group treasurer.

■ Cllr John Donnelly has been re-elected chairman of NEWCASTLE INTERNATIONAL AIRPORT.

■ QUEENS MOAT HOUSES has appointed Mr Allan Porter to the board as deputy finance director. He joined the company in 1983.

■ Mr Roger W.H. Reed has succeeded Dr Brian Goodman as chairman of EWBANK PREECE. Dr Goodman retires in August. Mr Reed continues as a director of Ewbank Preece Group, the holding company.

■ MIDLAND OIL REFINERIES, Halesowen, part of the Foseco group, has appointed Mr Terry Moorhouse as managing director. He joins from another Foseco company, Fospur, where he was sales director.



Mr Philip Couse, *(above)* a partner in Coopers & Lybrand, Birmingham, has been elected president of THE INSTITUTE OF CHARTERED ACCOUNTANTS in England & Wales.

■ TARMAC industrial products division has appointed Mr Paul Booth as managing director of its specialist contracting group, which includes Briggs Amasco, roofing and cladding contractor. He was deputy managing director, and succeeds Mr Archie McKinley who is retiring.

■ TATE & LYLE has appointed Mr J.H. Metcalf as group financial controller. He was divisional director, finance & planning, of Tate & Lyle Sugars.

■ Mr Bill McFarland has been appointed construction director of BALFOUR BEATTY HOMES (SCOTLAND).

■ MURRAY JOHNSTONE PERSONAL ASSET MANAGEMENT has appointed Ms Eileen Dawson as an asset manager. She was a director of Henderson Financial Management.

■ PIERI & HOLLAND (UNDERWRITING AGENCY) has received Lloyd's approval for the appointment of Mr P.E. Holland as managing director, and Mr P.J. Miller as a director.

■ BRITISH & COMMONWEALTH MERCHANT BANK has promoted Mr Jonathan Massing to assistant director in the corporate finance group.

■ Mr Blaise Hardman has been appointed vice chairman of CREDIOP FINANCE, London subsidiary of Crediop, the Italian medium and long-term banking institution. He is a non-executive director of Matthew Clark & Sons (Holdings), and Murray International Trust, and a former chairman of Morgan Grenfell & Co.

■ From June 30 Mr B.L. Grayson becomes investment director of COMMERCIAL UNION ASSET MANAGEMENT with responsibility for fund management operations, in addition to his duties as joint deputy managing director.

■ Mr Michael Quentin Walters has been appointed a non-executive director of TILBURY. He was a senior partner of Theodore Goddard.

■ Mr K. Taketazu has been appointed deputy managing director and financial director of THE YASUDA FIRE AND MARINE INSURANCE COMPANY OF EUROPE. Mr K. Adachi becomes general manager and director, and Mr A.D. Gasking and Mr C.I. Thornton as made assistant general managers.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	55.63	56.24	59.83	+0.38	4.98
Gilts & Fixed Int	6	109.10	109.10	115.7		8.64
High Inc Equity	6	133.8	136.6	145.4	+0.1	4.37
Worldwide Bond	6	203.3	203.3	215.4	+1.9	4.50
Capital Growth						
American Growth	6	191.0	193.5	205.9	+0.8	1.20
Asian Pacific	6	91.96	91.96	98.36	-1.63	0.71
Assets & Earnings	6	160.5	160.5	171.7	+0.4	2.91
Capital Reserve Acc	0	84.98	84.98	85.04	+0.05	4.70
Commdty & Energy	6	101.2	101.2	108.3	+0.5	0.97
1992 Enterprise	6	58.52	59.64	63.45	-0.05	2.84
European Capital	6	86.26	86.93	92.48	-0.14	0.91
General	6	177.1	180.0	191.5	+0.1	2.35
International		47.15	47.15	49.97	-0.04	1.00
Japan	6	107.9	107.9	115.5	-0.6	0.00
Mineral	6	85.96	85.96	91.88	+0.15	1.56
UK Growth Acc	6	201.0	201.0	215.01	+0.8	1.05
UK Growth Dist	6	134.0	134.0	143.4	+0.6	1.57
US Emerging Cos	6	57.00	59.07	62.85	+0.37	0.00
Income & Growth	6	293.5	293.5	314.0	+0.3	3.26
Ethical	6	49.22	50.44	53.67	-0.46	2.13

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5	31.95	31.95xd	34.11	-0.39	3.32
European	5¼	63.85	63.95	68.27	-0.32	0.00
European Income	5¼	63.71	63.71xd	68.01	-0.60	3.11
Exempt	1	807.0	807.0	842.3	-2.6	2.25
Extra Income	5	42.84	42.84xd	45.73	-0.01	5.00
F East Emerg Ecns	5¼	43.96	43.96	47.08	-0.39	0.90
Fund Inv Tst	5	121.6	121.6	129.8	+0.3	2.52
Do Accum	5	189.4	189.4	202.2	+0.5	2.54

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	135.0	143.0	+1.0	-
Building Soc. Fd.	171.0	180.0	.....	-
Balanced	282.0	297.0	.....	-
European	174.0	184.0	+1.0	-
GT Managed	175.0	185.0	.....	-
Gartmore Mngd	116.0	123.0	.....	-
German	119.0	126.0	.....	-
Gilt	178.0	188.0	-1.0	-
Global	48.0	51.0	.....	-
High Inc.	120.0	127.0	-1.0	-
International Equity	194.0	205.0	.....	-
Japan	236.0	249.0	.....	-
Managed	63.0	67.0	.....	-
Property	283.0	298.0	+2.0	-
R. W. Imperial Gold	142.0	150.0	-4.0	-
UK Equity	366.0	386.0	.....	-
Pension Funds				
American	154.0	163.0	+1.0	-
Building Soc. Fd.	171.0	180.0	.....	-
Balanced	218.0	230.0	+1.0	-
European	172.0	182.0	+3.0	-
German	107.0	113.0	+1.0	-
Gilt	153.0	162.0	.....	-
International Equity	142.0	150.0	.....	-
Japan	135.0	143.0	-2.0	-
Managed	64.0	68.0	.....	-
Property	217.0	229.0	+1.0	-
UK Equity	331.0	349.0	+1.0	-

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd.	599.8	632.1	+3.8	-
Adventurous Mngd	128.4	135.4	+0.7	-
Secure Mngd	109.2	115.1	+0.4	-
Cash Fd.	233.0	245.6	+0.4	-
Property Fund	285.7	304.0	+0.3	-
Equity Fund	672.1	715.0	+4.6	-
Fxd. Int. Fund	292.0	310.7	+2.0	-
International	308.6	328.3	+4.7	-
High Income	482.3	513.1	+4.3	-

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Communications	105.1	110.7	+0.5	-
Smaller Companies	106.8	112.5	-0.2	-
International Small Cos.	131.0	137.9	+1.1	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary June 7	£153.22	158.55	.....	-
Equity June 7	£166.46	172.70	.....	-
International June 7	£26.03	26.77	.....	-
Intl Bond June 7	£12.57	12.74	.....	-
Fixed Int June 7	£70.72	71.67	.....	-
Index Linked June 7	£59.37	60.11	.....	-
Property June 7	£109.54	116.07	.....	-
Cash May 31	[illegible]	[illegible]	.....	-
Pru-Linked Retirement Plan				
Managed June 7	377.6	393.4	.....	-
Cash June 8	195.7	203.9	.....	-
Prudential Pensions Investment Account				
Pens Mngd June 9	154.6	166.5	+0.6	-
Pens UK Eq June 9	307.1	331.3	+1.6	-
Pens Intl June 9	184.1	197.7	.....	-
Pens Fixed June 9	163.5	172.7	+2.0	-
Pens Index Lk June 9	153.1	161.7	+1.0	-
Pens Cash June 9	127.8	134.6	.....	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8600

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd.	119.0	125.2	+0.2	-
Balanced Ptflio Fd.	311.4	327.7	+0.6	-
Cautious Ptflio Fd	120.7	127.0	+0.1	-
Elite Fund	108.2	113.8	+0.2	-
European Fund	84.8	89.2	.....	-
Far East Fund	106.8	112.4	+0.5	-
Fixed Interest Fund	237.1	249.5	+0.6	-
International Fund	269.3	283.4	+0.6	-
Money Fund	176.4	185.6	.....	-
N. American Fd.	121.1	127.4	+0.1	-
Property Fund	413.1	434.8	-0.8	-
UK Equity Fd.	380.4	400.1	+0.9	-
A I M. Brwin Diplo Fd.	93.6	98.5	+0.4	-
Swim Select Invt.	110.1	115.9	+0.3	-
Chart Safety First Bid	108.4	114.1	-0.1	-
East Master Fd	98.5	103.7	+0.6	-

FT UNIT TRUST INFORMATION SERVICE

[illegible]

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99½	98	Exch. 10pc 1989	99½	.....	10.05	13.31
99	98	Exch 11pc 1989	99	.....	11.09	13.38
[illegible]	95	Treas 5pc 1986-89	[illegible]	[illegible]	5.11	11.53
99½	98	Exch 10¼pc Cv '89	98	.....	10.31	11.44
101	99	Treas 13pc 1990‡‡	100	[illegible]	12.98	12.83
99	98	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.15	13.04
101	99	Exch. 12½pc 1990	99	[illegible]	12.54	12.91
94	91	Treas. 3pc 1990	93	[illegible]	3.20	10.53
96	95	Treas 8¼pc 1987-90‡‡	96	[illegible]	8.59	12.60
98	95	Treas. 8pc Cv 1990 ‡‡	95	[illegible]	8.35	12.30
98	96	Treas. 10pc Cv 1990	96	[illegible]	10.32	12.49
91	87	Exch 2½pc 1990	98	.....	2.75	9.43
101	99	Treas 11¾pc 1991	99	[illegible]	11.83	12.23
92	89	Funding 5¾pc '87-91‡‡	91	.....	6.30	11.16
89	86	Treas. 3pc 1991	89	[illegible]	3.37	9.44
100	96	Treas 10pc Cv '91 ‡‡	96	[illegible]	10.39	13.08
101	97	Exch. 11pc 1991	98	[illegible]	11.19	11.83
94	91	Treas. 8pc 1991	92	[illegible]	8.69	11.74
106	102	Treas 12¾pc 1992‡‡	102	[illegible]	12.40	11.46
99½	96	Treas 10pc 1992	96	[illegible]	10.35	11.46
94	91	Treas. 8pc 1992 ‡‡	91	[illegible]	8.71	11.44
100	97	Treas 10½pc Cv 1992‡‡	97	[illegible]	10.74	11.40
85	82	Treas 3pc 1992	83	[illegible]	3.61	9.60
105	101	Exch. 12¼pc '92	102	[illegible]	12.00	11.44
109	105	Exch 13½pc 1992	105	[illegible]	12.78	11.34
94	90	Treas 8¼pc 1993	91	[illegible]	9.04	11.21
100	96	Treas 10pc 1993‡‡	96	[illegible]	10.33	11.01
108	104	Treas 12½pc 1993‡‡	104	[illegible]	11.70	11.12
87¾	84	Funding 6pc 1993‡‡	85	[illegible]	7.00	10.19
113	108	Treas 13¾pc 1993‡‡	109	[illegible]	12.58	11.02
94	90	Treas. 8½pc 1994	90	[illegible]	9.36	11.08
117	112	Treas 14½pc 1994‡‡	113	[illegible]	12.82	10.85
113	108	Exch 13½pc 1994	108	[illegible]	12.40	11.08
100	96	Treas. 10pc Ln. 1994‡‡	96	[illegible]	10.35	10.89
		Five to Fifteen Years				
110	105	Exch. 12½pc 1994	105	[illegible]	11.88	11.09
[illegible]	92	Treas 9pc 1994‡‡	92	[illegible]	9.73	10.85
108	103	Treas 12pc 1995	103	[illegible]	11.58	11.07
79	74	Exch 3pc Gas 90-95	76½	.....	3.92	8.08
101	96	Exch. 10¼pc 1995	96	[illegible]	10.58	10.97
113	107	Treas 12¾pc 1995‡‡	108	[illegible]	11.77	10.89
119	113	Treas. 14pc '96	113	[illegible]	12.33	11.04
97½	92	Treas. 9pc 1992-96‡‡	92	[illegible]	9.74	10.59
126	119	Treas 15¼pc 1996‡‡	120	[illegible]	12.65	10.91

BRITISH FUNDS—Contd

1989 High	1989 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		Over Fifteen Years				
59	55	Funding 3½pc '99-04	[illegible]	[illegible]	6.20	8.76
102	95	Conversion 9½pc 2004	95	[illegible]	9.91	10.03
103	95	Conversion 9½pc 2005	96	[illegible]	9.89	9.99
111	103	Exch. 10½pc 2005	104	[illegible]	10.09	9.97
125	116	Treas. 12½pc 2003-05	117	[illegible]	10.67	10.20
90	83	Treas. 8pc 2002-06‡‡	84	[illegible]	9.49	9.90
105	98	Conversion 9¾pc 2006	98	[illegible]	9.88	9.90
118	110	Treas. 11¾pc 2003-07	111	[illegible]	10.58	10.21
96	88	Treas 8½pc 2007 ‡‡	89	[illegible]	9.50	9.74
134	124	Treas. 13½pc '04-08	125	[illegible]	10.74	10.13
101	93	Treas. 9pc 2008 ‡‡	93	[illegible]	9.59	9.71
92	84	Treas 8pc 2009	85	[illegible]	9.35	9.62
102	94	Conv 9pc Ln 2011 ‡‡	94	[illegible]	9.47	9.55
68	63	Treas. 5½pc 2008-12‡‡	63	[illegible]	8.64	9.36
89	83	Treas. 7¾pc 2012-15‡‡	83	[illegible]	9.29	9.48
132	122	Exch. 12pc '13-'17	123	[illegible]	9.76	9.55
		Undated				
45	41	Consols 4pc	42	.....	9.48	–
40	37	War Loan 3½pc‡‡	37	.....	9.38	–
70	60	Conv. 3½pc '61 Aft.	65	.....	5.38	–
41	31	Treas. 3pc '66 Aft.	34	.....	8.79	–
30	26	Consols 2½pc	26	.....	9.37	–
29½	26	Treas. 2½pc	26	.....	9.46	–

Index-Linked

1989 High	1989 Low	Stock (b)	Price £	+ or –	(1)	(2)
129	124	Treas 2pc IL '90(84.6)	129	[illegible]	–	4.62
107	103	Do. 2pc '92‡‡(97.8)	107	.....	3.16	4.06
99	94	Do. 2 '94 (102.9)	99	.....	3.41	3.92
146	139	Do. 2pc '96(67.9)	145	[illegible]	3.42	3.78
124	118	Do 2½pc '01(78.3)	123	[illegible]	3.64	3.88
122	115	Do. 2½pc '03(78.8)	120	[illegible]	3.70	3.91
125	117	Do. 2pc '06(69.5)	123	[illegible]	3.69	3.87
117	110	Do. 2½pc '09(78.8)	115	[illegible]	3.68	3.85
123	114	Do. 2½pc '11(74.6)	119	[illegible]	3.67	3.83
102	95	Do. 2½pc '13(89.2)	99	[illegible]	3.66	3.80
110	101	Do. 2½pc '16(81.6)	107	[illegible]	3.62	3.75
108	100	Do. 2½pc '20(83.0)	105	[illegible]	3.56	3.68
91	84	Do. 2½pc '24‡‡(97.7)	88	[illegible]	3.53	3.64

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1988: 108.4 and for April 1989: 114.3.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
503p	278p	Cullinet Sftwr 1c	503p	+3	–	–	–
27⅛	21⅜	Dana Corp. $1	26⅞	+¾	$1.60	–	3.8
11⅝	854p	Data General	11⅝	....	–	–	–
36⅝	28⅛	Dun & Bradstreet $1	36⅝	+⅝	$2.00	–	3.5
41½	30½	Eaton Corpn. 50c	40⅝	–⅞	h$2.00	–	3.1
11½	8⅞	Echlin Inc	11½	–⅛	70c	–	4.0
20¼	16⅞	FPL Group 1c	19⅛	+⅛	$2.20	–	7.0
32⅛	27⅝	Ford Motor $1	30⅞	–⅛	$3.00	–	6.1
43⅝	30⅜	GATX 62½c	43⅝	+¼	$2.00	–	2.9
35¼	24¼	Gen. Elect. 63c	34¹³⁄₁₆	–⅞	$1.64	–	3.0
567p	484p	General Host Corp $1	551p	–5	30c	–	3.4
39⅛	18¼	Gillette $1	26½	+⅜	96c	–	2.3
887p	616p	Gt Am First Svgs Bk $1	887p	+6	60c	–	4.3
23⅝	16⅞	Greyhound $1½	23⅝	+1⅜	$1.32	–	3.5
13¼	847p	Hasbro Inc 50c	13¼	+¼	16c	–	0.7
49¼	32¼	Honeywell $1½	48¼	–⅜	$2.10	–	2.8
19¾	15¼	Houston Inds.	19¼	+⅛	$2.96	–	9.7
74⅝	63⅛	IBM Corpn $1¼	69⅝	....	$4.84	–	4.4
52p	45p	Image Storage/R Sys 1c	47p	+2	–	–	–
27⅛	18¼	Ingersoll-Rand $2	27⅛	....	$1.04	–	2.4
31¼	22½	Lockheed Crpn. $1	31¼	+¼	$1.80	–	3.2
21⅜	15⅛	Lone Star Inds $1	21⅜	+⅛	$1.90	–	5.7
24⅞	17½	Louisiana Land 15c	23⅛	–⅛	$1.00	–	2.7
16½	11½	Lowe's 50c	16½	+¼	48c	–	1.8
23⅛	15⅞	Manuf. Hanover $1	23⅝	+¼	$3.28	–	8.8
19⅜	13⅛	Merrill Lynch $1	19¼	....	$1.00	–	3.2
2253p	1910p	Molex Inc	2007p	–11	3.2c	–	–
26⅜	18⅛	Morgan (JP) $2½	26½	–⅛	$1.66	–	4.0
53⅝	36⅛	NYNEX $1	53⅜	+⅜	$4.36	–	5.2
23⅝	18¼	PHH Corp.	23½	+⅛	$1.12	–	3.0
257p	220p	Pacific Agr.	257p	+4	–	–	–
25¼	19	Pacificorp $3¼	25¼	+½	$2.76	–	6.6
26⅛	16⅞	Pacific Telesis 10c	26¼	+⅛	$1.88	–	4.4
21⅝	15⅛	Pall Corp 25c	21⅝	+¼	48c	–	1.4
53⅜	39⅜	Pennzoil 83 1/3c	53⅛	+2⅞	$3.00	–	3.5
25¼	17⅛	Premark Intl	24⅛	....	60c	–	1.6
39⅜	28⅛	Quaker Oats $5	39⅜	+⅜	$1.20	–	1.9
30¼	23½	Rep NY Corpn $5	30¼	+¼	$1.36	–	2.7
14⅜	11⅛	Rockwell Intl. $1	14⅛	+⅛	72c	–	3.2
34⅛	21⅝	Southwestern Bell $1	34	–½	$2.60	–	4.8
27⅛	17⅜	Sun Co. Inc. $1	27⅛	....	$1.80	–	4.2
29⅝	22⅛	TRW Inc. 62½c	28⅝	+⅛	$1.72	–	3.8
21⅛	14⅜	TW Services $5	21⅛	+⅛	10c	–	0.3
34⅛	26⅛	Tenneco $5	34⅛	+⅛	$3.04	–	5.6
35⅞	28	Texaco $6.25	31½	–⅛	♦$3.00	–	6.0
28⅛	21⅝	Texas Instr. $1	27⅛	+⅛	72c	–	1.6
108	58⅝	Time Inc. $1	106⅛	–1¼	$1.00	–	0.6
18⅜	15⅛	TRINOVA Corp.	18⅜	....	64c	–	2.2
23¼	16	USX $1	23½	+⅛	$1.40	–	3.8
164p	126p	Unilab	158p	....	–	–	–
33	22⅛	Utd. Technologies	32½	+⅜	$1.60	–	3.1
158p	128p	Utilitech Inc.	141p	....	–	–	–
45⅜	31½	US West	45⅜	+¼	$3.76	–	5.2
33⅛	22⅝	Waste Management $1	33⅛	+⅛	48c	–	0.9
19⅜	13½	Whirlpool $1	19⅜	....	$1.10	–	3.5
21⅛	16⅜	Whitman Corp.	21⅛	+⅜	$1.02	–	3.0
34¼	28⅛	Woolworth $3½	34¼	+⅝	$1.88	–	3.5

CANADIANS

1989 High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
160p	129p	ABM Gold Corp	160p	+8	–	–	–
25½p	4½p	Abbot Energy Corp	25½p	....	–	–	–
14⅛	902p	Amer. Barrick Res	14⅛	+⅛	–	–	–
19½p	10½p	Armeno	14½p	–1½	–	–	–
330p	94p	Asiamerica Hldgs	321p	+3	–	–	–
33½p	8½p	Augmitto Explo	10½p	–1	–	–	–
17⅛	12⅞	Bk. Montreal	17⅛	+⅛	$2.12	–	6.2
995p	655p	Bk. Nova Scot.	995p	+7	92c	–	4.7
21¼	17	BCE	21¼	+¼	$2.44	–	5.8
848p	570p	Bow Valley	815p	....	40c	–	2.5
16	12⅛	Brascan	16	+⅛	88c	–	2.8
228p	144p	Breakwater Res	158p	+5	10c	–	3.2

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

For Wood (Graham) see Graham Wood

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

45	35	Ayer Hitam SM1	45				
60	28	Gopeng Berhad SM0.50	75				
140	83	Malaysia Mining 10c	130				
84	47	Malaysia Mng 10c	74	+7			
180	125	Petaling SM1	180				
150	90	Sungei Besi SM1	135				
110	90	Tanjong 15p	98				

Miscellaneous

THIRD MARKET

For Property see Stocks

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

...

Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... y	98	......	
Craig & Rose £1 ... y	720	......	
Finlay Pkg. 5p ... y	88	......	
Holt (Jos) 25p ... y	1325	+15	

IRISH

Cap. 8½% Ln. 1991	£98	......
9pc Cap Ln. 1996	£98	......
Fin. 13% 97/02	£118	......

Arnotts	440	......
Carroll (P.J.) ... y	152	......
Hall (R. & H.)	160	......
Heiton Hldgs ... y	73	+1
Irish Ropes	283	......
United Drug	138	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	45
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Beecham	58
Blue Circle	48
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	48
Comm Union	32
Courtaulds	38
Fkl Babcock	14
FNFC	22
Gen Accident	85
GEC	28
Glaxo	110
Grand Met	48
GUS 'A'	98
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	48
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	52
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	40
RHM	42
Rank Org Ord	88
Reed Intnl	34
STC	32
Sears	10
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	58
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	100
Lonrho	30
RTZ	48

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend June 10/June 11 1989

An expression of Solidarity from a patriotic penthouse-dweller

John Lloyd meets the lady with everything but the Lenin Shipyard

WHEN IN London, she stays at the Connaught Hotel. She is attended by three smart lawyers, is driven in a *Rolls-Royce* – and wears a Solidarity badge. From next January, if plans stay on course, she will be the owner of the Lenin shipyard in Gdansk.

Polish American multi-millionairess and art collector Mrs Basia (Barbara) Piasecka Johnson was in Britain last week adding bronzes to her art collection, attending Il Trovatore at Covent Garden and dining with its star and her old friend, Placido Domingo. The visit was in poignant contrast to the one she made to Poland the week before to meet management and representatives of the shipyard she had decided to buy on the spur of the moment after meeting Mr Lech Walesa, the Solidarity leader.

Mrs Johnson's announcement that she plans to buy the yard has made her the heroine of Gdansk, Poland's largest shipbuilding centre and home of Solidarity, which this week won overwhelming support in elections to a new parliament.

Last weekend, Mrs Johnson was the main subject of a sermon by Monsignor Jankowski, the "Solidarity priest", in Gdansk's St Brygida's church; she tearfully addressed a large crowd outside and was the principal guest at a party given by Mr Walesa. As well as lifting hopes, she aroused much speculation and puzzlement within Poland because details of her projects were few. She also plans to unveil her priceless collection of old masters and bronzes for the first time in Warsaw, and to lead what she hopes will be a rush of rich "Polonia" – emigré Poles – back to their native land with cash and expertise.

In an interview with the Financial Times in London, Mrs Johnson, whose late husband was Mr Seward Johnson, a member of the family which owns Johnson and Johnson, the drugs and baby products company, said the success of shipbuilding in Gdansk was due overwhelmingly to its workers. She has called for a compact between the workers and Poland's Communist leaders to rebuild the economy.

Her decision to buy the yard was taken in an instant, when she was introduced to Mr Walesa by Monsignor Jankowski during a Corpus Christi procession in Silesia on May 25. She then went to meet the yard management and representatives of Solidarity and, on June 1 – only a week later – signed a letter of intent with the management and Walesa to buy the yard by January 1 1990. Solidarity itself has said that she will invest \$100m (£63.5m) in the yard: she will neither confirm nor deny the figure.

"The people in the yard were very glad when I signed: women among the representatives were crying. There is a great potential there; they are very skilful people. They are now designing new models of ships which are very unusual.

"They wanted me, and wanted changes in the yard. The workers made it famous in the past; they will make it profitable in the future".

Her letter of intent specifies that she will own 55 per cent of the yard, with the remaining stake held by the management and by Solidarity. Solidarity's support and professed willingness to work hard, is, she says, the base of her confidence in the yard's future.

Mrs Johnson believes it *will* make profits, in spite of its present Zl10bn (\$2.5m on the premium exchange rate) annual loss, low productivity and ageing equipment – the main factors which persuaded Mr Mieczyslaw Wilczek, the Polish Industry Minister, to announce its closure last year.

By contrast, on her visit to the yard, Mrs Johnson invited those workers who intended to leave to stay, calling for those who had already left to return.

The magnitude of the problem has aroused scepticism over whether she can succeed. However, she stressed that she was not a newcomer to the world of shipbuilding, or to Gdansk workmanship.

Her late husband, with her assistance, built up the Harbour Branch Foundation, a Miami-based shipyard specialising in the construction and repair of oceanographic submersibles and equipment. "This was not the first time I saw a shipyard, when I went to Gdansk," she said.

Further, her husband had ordered a yacht, the *Mazurka*, to be designed by the Gdansk yard in 1975 (though it was built in Szczecin).

Mrs Johnson left her native Wroclaw, in southern Poland, *30 years ago for the US*. She was then a working art historian, and her access to wealth on her marriage has allowed her to build up a massive and valuable collection – one which includes two Carvaggios, each of which is estimated to be worth \$25m. She unveils the collection, previously unseen, in Warsaw on September 8, from where it travels to other European capitals and the US.

On the current position of Poland she says: "I don't want to hear the words East and West any more – we should be beyond them.

"Solidarity had an enormous victory in the elections: but now they must work. Solidarity and the Government must find a way of working together – they must – and then both sides can create great opportunities for Poland."

Political void opens, Page 7

'Cut sought' in Clowes' £1,000 a week deal

By Richard Waters

MR PETER Clowes, former head of the Barlow Clowes investment group, appeared yesterday to have fallen out with the group's liquidators over the renewal of a settlement under which he is paid living expenses of £1,000 a week.

The deal, made a year ago, is due to expire on Monday. In return for the £1,000 a week, Mr Clowes agreed to help the liquidators with their investigations. He also assigned assets worth £25m over to them. Unless the assignments *are renewed, or the liquidators* take action to freeze Mr Clowes' assets, they would be returned to him after Monday.

In an apparent attempt to forestall this, the joint liquidators, Cork Gully and Ernst & Whinney, issued a writ against Mr Clowes on June 2, while negotiations over renewing the settlement were still continuing. The writ seeks the repayment from him of £54m.

The assets covered by the assignments made last year included property, shares in several companies and the yacht Boukephalas.

The liquidators are known to have been acutely embarrassed by the £1,000 a week payments, particularly as many elderly investors in Barlow Clowes have suffered financial hardship since the group collapsed.

This is likely to have led *them to seek a reduction in the* payments, forcing a confrontation with Mr Clowes over renewal of last year's agreement. Mr Michael Jordan, senior partner of Cork Gully, refused yesterday to comment on the case, except to confirm that a writ had been issued.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Feldmuehle	385	+	5
Karstadt	559	+	9.1
Rheinmetall	400	+	10
Falls			
Harpener	455	–	7
Schering	673.7	–	6.2
Varta	370	–	6
NEW YORK (\$)			
Rises			
Time Inc.	168¼	+	¼
USX	37¾	+	1
Williams Co's	39¼	+	1¼
Falls			
Boeing	76½	–	⅞
Paramount	57⅞	–	½
Warner Comms.	55⅞	–	⅝

PARIS (FFrs)			
Rises			
BIC	790	+	14
Orsan	481	+	18
Saint Louis	1357	+	19
Falls			
BSN	670	–	8
Havas	995	–	12
Ski Rossignol	1250	–	11
TOKYO (Yen)			
Rises			
Japan Metals	1120	+	90
Nisshin Kisen	2000	+	160
Toyo Telecom	1820	+	150
Falls			
Carolina	895	–	43
Shimano Ind.	1020	–	70
Tokyo Sokuhan	2200	–	200

New York prices at 12.30.

LONDON (Pence)			
Rises			
AMI Healthcare	402	+	22
Antofagasta	433	+	9
Brit. Telecom	277½	+	8½
Burmah Oil	594	+	5
Elga Group	66	+	4
Guinness	506	+	12
Kwik Save	472	+	8
Lucas Inds.	649	+	18
Lyon & Lyon	413	+	68
NatWest Bank	597	+	9
Polly Peck Int.	280	+	8
Rainers	245	+	4
Reed Intl.	418	+	16
Storehouse	162	+	8
Wolv. & Dudley	444	+	12
Falls			
Dalgety	357	–	2
Doctus	128	–	7
Land Securities	568	–	8
Racal Elect.	548	–	17
Redland	577	–	14
Rugby Group	205	–	6

WORLDWIDE WEATHER

		Y'day midday °C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dallas		–	–	Madeira	S	22	72	Prague	F	17	63
Algiers	C	25	77	Dublin	R	14	57	Madrid	C	22	72	Reykjavik	C	10	50
Amsterdam	C	16	61	Dubrovnik	S	23	73	Majorca	F	26	79	Rhodes	S	25	77
Athens	S	26	79	Edinburgh	C	13	55	Malaga	S	22	72	Rio de Janeiro		–	–
Bahrain	S	34	93	Faro	S	21	70	Malta	S	26	79	Rome	S	23	73
Barcelona	F	21	70	Florence	S	24	75	Manchester	C	13	55	Salzburg	S	20	68
Belfast	C	16	61	Frankfurt	F	19	66	Melbourne		–	–	S'Francisco †	C	12	54
Belgrade	F	22	72	Geneva	S	21	70	Mexico City		–	–	Santiago		–	–
Berlin	F	17	63	Gibraltar	S	23	73	Miami †	S	28	82	Seoul	R	18	64
Biarritz	S	23	73	Glasgow	R	13	55	Milan	F	21	70	Singapore	F	29	84
Birmingham	C	16	61	Guernsey	F	14	57	Montreal †	F	15	59	Stockholm	S	17	63
Blackpool	R	14	57	Helsinki		–	–	Moscow	S	28	82	Strasbourg		–	–
Bombay		–	–	Hong Kong	C	31	88	Munich	S	18	64	Sydney	C	13	55
Bordeaux	C	23	73	Innsbruck	F	20	68	Nairobi	C	22	72	Tangier	F	21	70
Boulogne	F	19	66	Inverness	F	14	57	Naples	S	27	81	Tel Aviv	F	25	77
Bristol	F	15	59	Isle of Man	F	14	57	Nassau		–	–	Tenerife	F	23	73
Brussels	S	18	64	Istanbul	S	22	72	Newcastle	C	14	57	Tokyo	R	13	55
Buenos Aires		–	–	Jersey	F	18	64	New Delhi	S	38	100	Toronto †	S	19	66
Budapest	F	22	72	Johannesburg	S	15	59	New York †	C	18	64	Tunis	F	32	90
Cairo	S	29	84	Las Palmas	S	23	73	Nice		–	–	Valencia	F	24	75
Cape Town	S	18	64	Leeds	C	15	59	Nicosia	S	24	75	Venice	S	22	72
Cardiff	F	15	59	Lisbon	S	22	72	Oporto		–	–	Vienna	S	20	68
Chicago †	C	16	61	Locarno	C	18	64	Oslo	F	16	61	Warsaw	F	18	64
Cologne	F	18	64	London	F	16	61	Paris		–	–	Washington †	R	21	70
Copenhagen	C	12	54	Los Angeles †	C	16	61	Peking	C	24	75	Wellington	C	13	55
Corfu	S	26	79	Luxembourg	C	15	59	Perth	S	15	59	Zurich	S	19	66

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Sakharov takes the rostrum

By Quentin Peel in Moscow

MR Mikhail Gorbachev, confirmed in his position as the most powerful Soviet head of state since Josef Stalin, yesterday called a halt to the stormy proceedings of the country's first Congress of People's Deputies with a sweeping speech intended to redefine the basic concepts of socialism.

He pleaded for the individual to become the centre of a restructured socialism, for radical changes in the *socialist* concepts of property relations, and the promotion of a market regulated by economic, not administrative, rules.

Yet his domination of the *extraordinary event was* shared to the very end with one other man: Dr Andrei Sakharov, father of the Soviet atom bomb and more clearly than ever the consciousness of the nation, who demanded the abolition of the leading role of the Communist Party from the Soviet constitution.

Dr Sakharov managed to take the rostrum in the closing minutes, to deliver a plea for radical restructuring of the entire system of power in the country, making the new Congress the supreme authority, abolishing Article 6 of the constitution on the Communist Party's power, and bringing both armed forces and KGB – the Soviet secret police – under elected authority.

Delivered in an often quavering voice, and interrupted by Mr Gorbachev's own attempts *to silence him, Dr Sakharov's* political testament stole the thunder of the closing session.

In spite of being dominated by an overwhelming conservative majority, and voting on almost *every occasion against* democratic initiatives, the Congress proved to be a remarkable theatre of once-heretical views broadcast nationwide.

Mr Gorbachev's closing statement itself goes against most Soviet orthodoxy since the October Revolution, although he sought the middle ground between the conservative and radical wings of his increasingly divided party.

The Congress he described as "the major event in the whole history of the Soviet state," insisting that the airing of criticism, and the clamour of national demands from non-Russian republics, was part of a "broad discussion and confrontation of views."

Dr Sakharov, who was increasingly interrupted, was clearly far more doubtful, demanding an emergency session *of the Congress to approve* a six-point "Decree of Power," to bring the apparatus of the one-party system under the control of elected deputies.

He directly challenged Mr Gorbachev's authority, both as party leader and executive president. "It is dangerous, even if the power is concentrated in the hands of the initiator of perestroika," he said.

"We need a perestroika whereby the individual and the work collective genuinely become the masters of production with the profound consequences thereof."

Initiative unlikely, Page 2

Japanese car parts group bids for ex-Rover components maker

By Kevin Done, Motor Industry Correspondent

CALSONIC, an associate company of Nissan, Japan's second largest car maker, is seeking to take over Llanelli Radiators Holdings, the South Wales automotive components maker and formerly part of Rover Group, in a deal worth almost £15m.

The proposed takeover is one of the first moves by a Japanese automotive components maker to establish a presence in Europe through acquisition.

It will mark a breakthrough for Calsonic into Europe, as Llanelli Radiators is a supplier to both Rover Group and General Motors Europe (Vauxhall and Opel).

According to the offer document sent to Llanelli Radiator employee shareholders yesterday, Calsonic, formerly known as Nihon Radiator, plans to establish the South Wales company as "the foundation for its expansion in Europe".

Calsonic is one of the world's leading makers of automotive air conditioning systems, as well as radiators, heaters, exhaust systems and catalytic converters. It is an important member of the Nissan "family" *of component suppliers in* Japan.

Calsonic's bid for Llanelli Radiators has already been accepted by the company's main shareholders, the Llanelli Radiators management, Rover Group and Barclays de Zoete Wedd, which control around 70.6 per cent of the ordinary shares. The offer to employee shareholders has been recommended by the board.

Llanelli Radiators was sold by Rover Group in 1987 in a management buy-out which included an employee share ownership scheme.

The company, which is forecasting a turnover of about £44m this year, has a full-time workforce of 880 as well as *more than 100 temporary* employees.

It supplies all the radiators for Austin Rover cars and Land Rover vehicles, and is the sole supplier of cooling systems for Nissan's UK-built Bluebird.

Imports feed demand, Page 3

Dollar surges

Continued from Page 1

reported for May, the US Treasury bond market confounded logic by jumping more than a full point. The yield on the *benchmark long* bond was quoted 1¾ points higher, taking it to 8.16 per cent – its lowest level since April 1987.

Yesterday's startling bond rally appears to result from scepticism about the *PPI* gain, which traders argued was mostly due to higher car prices and the dollar's rally.

On the stock market, the Dow Jones Industrial Average was quoted 3.31 points lower at 2,513.60 at midday.

EC curbs agreed

Continued from Page 1

endorsed enthusiastically in April by the European Parliament. These cover carbon monoxide, hydrocarbons and nitrogen oxide emissions.

The new standards will be compulsory from July 1, 1992, for new models and after December 31, 1992 for all new cars.

A *community framework* for national tax incentives will enable member countries to subsidise up to about 85 per cent of the cost of fitting catalytic converters, the only technology now of meeting the EC norms.

Car manufacturers last night appeared relieved that the uncertainty was over and undismayed by the tighter standards or the shorter timetable. The Society of Motor Manufacturers and Traders welcomed the controls but warned that the price of some new cars could rise by up to £800. A *spokesman said:* "We welcome the fact that the rules will be mandatory. This, at least, means that all the member states of the Community will be playing on the same sort of pitch."

Most European manufacturers already produce optional catalyst versions of their left-hand-drive cars because countries such as Switzerland have *already adopted emissions con*trols, and executive car makers such as BMW, Mercedes and Jaguar, have needed to service the US market.

UK market leader Ford, second-placed Vauxhall and the Austin Rover group plan to be offering modified versions of all car ranges within 12 months. Austin Rover is already offering catalyst-equipped versions of its Rover Sterling/800 model in the UK.

THE LEX COLUMN

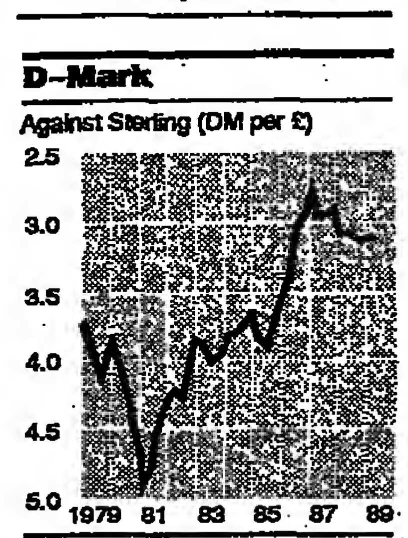
A dollar break for equities

It has been a curious week. It began with the first modest easing in US monetary policy in more than a year and ended with a worrying set of US producer price figures. Yet the US bond market has gone from strength to strength: the 100 basis points drop in long bond yields since Easter has been a major force behind Wall Street's strong performance, which in turn has prevented the London equity market from becoming totally dominated by the UK's obvious economic problems.

It is hard to see why the US bond market should continue to have such a benign influence on equities. The US economy is slowing down, but US producer prices have been *growing at an annual rate of* 9.4 per cent so far this year; and if the US dollar did not continue to behave with such surprising strength, US long bond yields would be heading considerably higher, rather than lower. However, in the short term the dollar is likely to remain strong for no other reason than that it is a safe haven in troubled times; and if the Fed's anti-inflation stance is to be believed, yesterday's price figures should rule out any further monetary relaxation.

The combination of Wall Street and a stream of terrific takeover rumours have underpinned London, even though long gilt yields have been rising. Sterling ended the week looking even more fragile than usual; and the worry for the equity market must be that if there are any nasty surprises in next week's rash of UK economic statistics, the foreign exchange markets may decide to test the Chancellor's resolve to curb inflation by preventing any further depreciation in the exchange rate. Failing this, the market's resilience could easily be punctured by a few sizeable rights issues or the emergence of some nasty earnings stories – both of which are overdue.

FT Index up 2.7 at 1775.7



which did not happen yesterday – and seem scarcely more likely to happen next week either – no mystery bidder emerged to take the burden of Storehouse off Mr Edelman's hands. His intention may well have been to flush such a person out of hiding; but if the desperate plight of the company and its shares has not tempted anyone to break cover before this, it is hard to see why Mr Edelman's plight as a forced seller should do so now.

No one can rule out that Mr Edelman will actually bid for the company properly one day – though his letter to Storehouse was scarcely designed to reassure those who doubt his finances. And if he put his 185p offer direct to shareholders, some would probably jump at the chance to get out at a price which is not far shy of the best level they could hope for from anyone else. With any luck at all, the new Storehouse management ought to be able to make the shares worth more than that eventually. But if they are confident enough of that, perhaps they ought to step in and bail Mr Edelman out themselves.

Storehouse

Yesterday may have been more exciting than most for Storehouse shares, but the market's dilemma remains as deep as ever. The day began with Mr Asher Edelman making what was not an offer for *Storehouse and ended with* Storehouse issuing what was not a refusal. None of this alters the fact that Mr Edelman will probably remain under Takeover Panel surveil*lance as a potential bidder and* the clock ticks aimlessly on.

To complete the list of things

Hong Kong

The 8 per cent recovery in the Hong Kong stock market over *the last four days has a* distinctly fragile feel about it. The news pictures from Peking may have got less distressing, but the implications for Hong Kong are no clearer than *before. Perhaps the Japanese* investors, who are being braver than most, simply cannot resist a market on a p/e of around 7 and are prepared to overlook the dependence of the industrial sector on China when those stocks sell on barely twice this year's earnings.

In the end, the investors who bought this week may turn out to have got rare bargains. But at least for now, any arguments about p/e multiples or yields are academic, as the locals – who probably have the last say – are paying such measurements even less attention than usual. In any case, there seems little point in projecting forward either earnings or dividends, as what they will be beyond this year is anyone's guess.

Instead, the market is interested exclusively in the power struggle in Peking and in its excitable state it is impossible to gauge what its present analysis is. That may not matter too much: investors' political forecasting horizon spans minutes rather than years, so more bad news of any description could send prices down further. At least the market is not having to deal with the sort of mass redemptions from the unit trusts that upset things so badly at the time of the crash. Having sold at the bottom in October 1987, more of them seem prepared to hang on this time.

Amstrad

The slump in Amstrad's share price in the past couple of days is further illustration of how desperately volatile the stock has become. The price at one point yesterday was 78p, down 16 per cent in 24 hours: by coincidence, it was also precisely one third of the peak reached 10 months ago. Nothing has actually happened, except that one broking firm astutely decided that this was a good time to slash its forecast for the year to June 1990. Since the market no longer has the faintest idea of Amstrad's prospects that far out, the stampede was easily arranged.

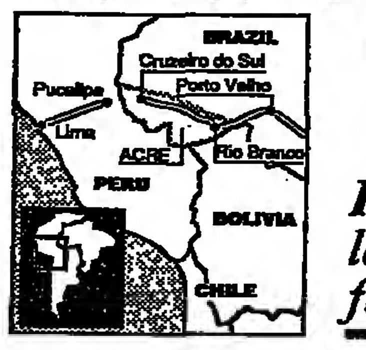
The worries are familiar: the production problems with the new PC2000, the slump in consumer demand for brown goods and, perhaps above all, the question of whether the management is capable of handling the complex structure Amstrad has become. Until the full-year figures in September, by which time the company should have a fair idea of orders for the Christmas season, the market is groping for a *valuation. But there is one* simple backstop. Though Mr Sugar has never shown interest in taking his company private, a worst-case cash flow of, say, £80m next year would easily cover the *exercise: at £1 a* share, the cost would be only £300m.

Weekend FT

SECTION II

Weekend June 10/June 11, 1989

The road to Acre: an invitation to progress or destruction?



The last frontier

***Robert Graham** weighs up the latest controversy on the fate of the Amazon rainforest*

THE MIGHTY trunk of the Brazil nut tree, rising to the canopy of the rainforest, is a noble sight. Some are more than 500 years old and throughout Amazonia they are a protected species. Yet, when the forest is cleared, they become the sorriest of spectacles. Left alone, they stand like vast sentinels abandoned by a passing army. Too often indiscriminate slash-and-burn clearance leaves the massive trunks scorched and lifeless, the branches in petrified relief against the huge tropical skies. In Acre, the westernmost state of Brazil huddled against the frontier with Bolivia and Peru, such telling symbols of the rainforest's destruction are beginning to have some impact. Acre is the first of Brazil's Amazon states to develop at least the outward signs of a "green conscience."

"This is Brazil's last frontier, the least developed state and we intend to ensure there is rational development," says Flaviano Melo, Acre's governor since 1986. Bold words, which the 38-year-old governor emphasises in the state's new slogan – "the green state with new ideas." He is determined to prevent the kind of destruction wrought in neighbouring Rondonia where a combination of land-hungry peasants, cattle ranchers and fortune-hunting miners have removed as much as 20 per cent of the state's rainforest.

The state is a microcosm of every contentious issue confronting Amazonia: uncontrolled immigration, ruthless landowners, impoverished peasants, lack of policing. Moreover, the broader issue of development versus conservation is brought into sharp focus by a controversy over plans to build the first all-weather road link across Acre, Highway 364, which would in turn go to Peru, providing access to the Pacific.

Nevertheless, Acre is small enough and sufficiently undeveloped to ensure the worst excesses, committed elsewhere, are not repeated. Acre accounts for under 2 per cent of Brazil and only 5 per cent of the Amazonian rainforests. "So far approximately 5 per cent of the state's 152,000 square kilometres have been deforested and three-quarters of this is in a radius of some 200km round the capital Rio Branco," says Jorge Macedo Neves, research director of Funtac, a newly-created state environmental research institute. This represents a minute proportion of the overall deforestation of Amazonia, where an area more than double the size of the entire state of Acre has been burned and cleared already.

As governor, Melo finds himself caught in the cross-fire of conflicting interests. "On one side there are the ecologists, who won't accept the removal of even a banana tree, and on the other the businessmen, ranchers and timber merchants who want to knock down everything."

The state's new-found conservationist conscience is not entirely voluntary. The ecological lobby argues that it has been forced on the authorities in the wake of the murder, last December, of Chico Mendes, head of the rubber tappers union. Mendes had established himself as the most prominent Brazilian campaigner for the conservation of Amazonia. His killing, allegedly at the instigation of the big land developers, almost overnight converted him into an ecological martyr at home and abroad.

Graffiti daubed on the walls of Rio Branco credit him with near sainthood. The humble, wooden house on raised stilts, in the sleepy provincial town of Xapuri, where Mendes was gunned down, has been converted into museum with a few pathetic mementoes. A foundation has been formed, presided over by his glamorous widow, who has suddenly become a media star.

"The death of Chico Mendes has been like the lancing of a tumour, exposing all the corruption and problems which the government has chosen to ignore," says Father Andre Ficarelli, an assistant to the Bishop of Acre, outspoken critic of Brasilia's *laissez faire* attitude towards the state.

At the time of his death, Chico Mendes was under official police protection: a chilling reminder that while conservation is debated in elegant international conference halls, on the ground in Acre these matters are still resolved in the manner of the Wild West. The judge hearing the case has received death threats, so have local deputies, other rubber tapper unionists, investigative journalists plus the bishop.

The whole Mendes story has now acquired such symbolic overtones that increasingly the complex issues at stake are simplified into Good forest people against Evil *fazendeiros*. Several film scripts were hastily prepared, on that basis, portraying the life of Chico Mendes, and the rights to the film have just been sewn up after fierce competition.

Until the late 19th century the entire region was untouched except for a few intrepid explorers who had ventured from Manaus up some of the Amazon's tributaries. Much of present-day Acre was an ill-defined no man's land of virgin forest that could be claimed with equal validity by Bolivia, Brazil and Peru. It only began to attract attention with the advent of the rubber boom in the 1880s.

When Bolivia prepared to exploit the rubber in this region with US backing, Luis Galvez, an adventurous Spaniard, managed to persuade the governor of Amazonia to let him have a small river vessel and a detachment of troops to secure Brazilian interests in the rubber trade. Galvez sailed up the River Acre and declared an independent republic – naming himself president – appropriately on July 14.

Although Galvez was removed by federal troops within six months, his quixotic venture alerted the government to the existence of Acre. As a result Brazil, in an exchange of land and a £2m payment, settled in 1903 the present 618km long frontier with Bolivia. A year later Acre was formerly declared a state and, in 1908, the 1565 km frontier with Peru was formalised. Full statehood was not conferred on Acre until as late as 1962.

Acre became a key supplier of Brazilian rubber until the collapse of the boom at the onset of the First World War and, thereafter, was relegated to oblivion. The modern exploitation of Acre is a phenomenon of the Seventies, reflecting the natural expansion of the Brazilian economy and the hunger for new frontiers in an extraordinarily mobile society. People think little of journeying 5,000 kilometres to establish a new life. Within a decade the population increased by more than one third to 300,000.

The impact on the land was dramatic. In 1970 only 122,000 hectares had been cleared for cattle-ranching. Five years later it had risen to 4.2m ha and now it is believed to be well over 6m ha. Put another way, almost 5 per cent of the state's virgin forest has disappeared in the last 15 years, while the population has doubled to more than 400,000.

This clearance, (currently costing $250 a hectare), has been carried out over 80 per cent in large-scale agricultural development, and very little by small slash-and-burn settlers. The state owns relatively little land, with the majority bought up by private and corporate speculators from Sao Paolo. The purchase of virgin forests by such groups not only encouraged indiscriminate clearance but fomented conflict between the traditional and new users of these resources.

"You've got the large landowners, the *fazendeiros* and the timber merchants who want to maximise their earnings through forest clearance," says Jorge Macedo, of Funtac. He adds: "These people are pushing the smallholders further from populated areas or forcing them into the shanty parts of Rio Branco. At the same time the *seringueiros*, the rubber tappers, find it harder to hang on to the areas of forest where, traditionally, they have worked – each *seringueiro* operates a tapping area of 800 hectares from which he collects about 16 kilos a day of rubber".

The situation is complicated by virtue of the large estates being run by absentee landlords through foremen – the *capataz* – who are under great pressure and strong financial incentives from the landowners to produce results. This not only encourages the *capataz* to clear as much land as possible but, because their masters have kept the authorities sweet with money, they are allowed to hold sway over the countryside with their gunmen.

According to Mirko Soares, the *capataz* for a large *fazendeiro*: "The ecologists are wrong when they say this land is no good for cattle – it is excellent and highly profitable". However, he concedes that too much land has been cleared in an unplanned way and that most farming is done with minimal technological inputs.

Mendes realised the 24,000 odd *seringueiros* were fighting a rearguard action to preserve an industry which was no longer competitive and he responded by organising non-violent sit-ins on the estates. He also lobbied the government in Brasilia to accept the concept of "extractive reserves" to preserve the tappers' business. "He was asking for trouble," seems to be a standard response from men like Mirko Soares, who himself was briefly detained on suspicion of having been involved in Mendes' killing.

Rather than be intimidated by Mendes' death, the rubber tappers union has drawn renewed strength and is firmly backed by the left wing Workers Party (PT) and by the local Catholic Church. Taken with the Acre governor's own position and international pressure, the *fazendeiros* have met their match for the first time. But they are in truculent mood and last month sent a heavy-handed message to the federal government. The latter's chief local environmental inspector, Jose Rente, was badly beaten up. The incident occurred after he had fined a local wood pulp company for felling Brazil nut trees. Rente also happened to be responsible for enforcing new legislation obliging landowners to conduct environmental impact studies if they wish to fell more than 100 hectares of forest.

Environmental protection measures such as these are in force – no matter the responses. Furthermore, even before Mendes died, the authorities had begun to act on ways of establishing a rational development of the forests. The first trial project to study the rational exploitation of the Amazonian rainforest, with help from the International Tropical Timber Organisation, has just begun. Some 67,000 hectares has been bought north of Rio Branco and, over the next three years, $3m is to be spent by Funtac studying how the forest's riches can be both preserved and utilised. "At present only 22 species of tree are being exploited in limited ways when they are some 600 which could be used perhaps for medicines, fruits, fibres, nuts and oils," says Jorge Macedo.

Funtac is being fed detailed satellite data which, within the next few months, will provide precise and continuous information on the level of deforestation. This will help reinforce the governor's scheme to permit zoning of agricultural development as well as clamp down on illegal clearance. However, sceptics point out that there are fewer than 1,500 policemen in the state and there are no helicopters available directly for environmental surveillance/control. Effective policing even with more resources is a near impossible task.

The pace of development would undoubtedly have been faster had Acre not been so remote and transport links been better. A series of strong rivers, running down from the Andes which have traditional transport arteries, bisects the state on an east-west axis. Even today the all weather road linking Rio Branco with Porto Velho in neighbouring Rondonia – and the rest of Brazil – has yet to be completed.

The question of roads is a broader issue which goes to the heart of the argument over the Amazonian rainforest's future. "The population is increasing at about 6 per cent a year," says governor Melo. "Immigration can be limited through disincentives but the state has got to grow." He is convinced – as is the Brazilian Government – that the key to planned growth is the cross-state Highway 364, running 600 km north-south from Cruzeiro do Sul to Rio Branco.

The existing road has large unasphalted stretches and is impassible for two months of the year. Once this north-south state link is complete, it would then be extended over into Peru to Pucalpa and provide Brazil with its long-dreamed direct access to the Pacific. The total cost is estimated at $350m. Brazil has been seeking both World Bank and Inter-American Development Bank finance for the project. However, the US Government, along with conservationists, has objected to the road, on the grounds that it would invite unacceptable deforestation. All international finance is currently being withheld.

Conservationists regard the road as a knife cutting a cake. There is no doubt that roads throughout Amazonia have proved the precursors of deforestation. Flying over Acre, it is obvious that forest clearance on a large scale follows directly in the wake of the roads, which in turn create feeder roads. The very lack of roads has preserved Acre.

"It may sound paradoxical," says Melo, "But the asphalting of this road will help, not hinder, a sensible settlement of the state, and one of the few things in Acre on which all are agreed, from the bishop to the *fazendeiros*, is that everyone wants the road which will give access to the Pacific."

Can the road, historically one of the most fundamental instruments of progress, be denied on the grounds that it will play a part in damaging the world's environment?

The Long View

Tax incentives that pay dividends

Dividends have rocketed in the past few years and there are arguments why companies should be even more generous in future

GIVE 'EM the money. It is, after all, the shareholders' own wealth, although some companies prefer not to acknowledge the fact.

Those bumper dividend warrants keep rolling in. This week, for example, the Argyll Group lifted its total dividend by 17 per cent and Reed International raised its payout by 20 per cent. These are far from being exceptional increases because dividend income on the 704 constituents of the FT-Actuaries All-Share index is showing a gain of 18.8 per cent, year-on-year.

One explanation is that profits have been buoyant, too, with a rise of some 16 per cent in 1988. But there is more to it than that. In the past, companies have been inclined to hold something back during periods of buoyant profits to provide a cushion for possibly tougher times ahead. Either companies are now unusually confident or other factors are at work.

Exactly what determines the dividend policy of companies is never very clear. It is rarely spelt out in annual reports. Generally, I suspect, companies look at what their closest competitors are doing and try to match or beat them, according to the circumstances. Occasionally, boards of directors become aware that their dividend policy is wholly inappropriate, as with GEC where increasingly rebellious shareholders have been offered sharply higher pickings from the group's cash mountain, with the payment rising by around 80 per cent in three years.

The broader corporate herd responds more slowly, however. Fundamentally, it is the changes in the tax climate which have been the major factor in stimulating corporate largesse. Remember that British investors traditionally have endured a climate in which capital gains were always more attractive than income. At one time, as recently as a decade ago, dividends in the hands of higher-rate taxpayers could be taxed at as much as 98 per cent. The corresponding charge on capital gains was 30 per cent, possibly subject to deductions. That provided a tremendous incentive for companies to seek to provide capital gains through the retention of profit.

Not only has that top income tax rate now come all the way down to 40 per cent but, last year, Chancellor Nigel Lawson equalised the income tax and capital gains tax charges for individuals. Private investors can now be more or less indifferent as to whether they derive investment returns from income or capital growth. Not surprisingly, high-yielding shares have outperformed the stock market as a whole in the past year or two, giving extra encouragement to companies to be more generous with their distributions.

The position of pension funds is even more interesting. They now own more than a quarter of UK equities, as against rather less than that directly in the hands of private investors. Since pension funds can claim back the tax on dividends, logically they should press for a full payout.

Imagine a company owned entirely by pension funds. If it retains profits to finance growth, it will bear corporation tax at 35 per cent. On dividends, though, the funds can reclaim tax. Effectively, the company and its shareholders taken together will suffer tax of only 13.3 per cent on profits, and the most tax-efficient way of financing growth is by reinvestment in new shares, not through retentions.

To the extent that private investors hold increasing amounts of their equities within tax shelters such as personal pension plans and personal equity plans, this argument will be reinforced. But, so far, companies appear to have taken it on board only in a limited way: dividend cover has come down only very slightly and still averages some 2½ times. All the same, dividends have been climbing at around 10 per cent in real terms. This is a large rate of change, but dividends are subject to wide swings over a period of years – as, indeed, you would expect for one of the riskiest categories of income.

Actuary R. Watson has developed an index of real share dividends which shows that only very recently have payouts exceeded the mid-1960s' peak in real terms. The index collapsed over 12 years or so from 250 to around 160 in 1977. Those were the years of price and dividend restrictions, and of high inflation. After a wobble when the Conservatives came to power in 1979 – dividends first shot up on the ending of controls, then slipped back in real terms because of the squeeze on industry early in the 1980s – a major uptrend developed. Watson's index is now in all-time high ground and pushing towards 300.

With inflation rising and profits likely to be squeezed over the next year, it would be surprising if dividend growth were to maintain its momentum. But on domestic arguments, there are solid grounds for companies to be even more generous. International arguments are a bit different, however. Many countries still adopt the old-fashioned industrial approach that dividends are wasteful and retentions are good, and back this up with a tax system which discriminates against distributions. In any case, foreign shareholders cannot usually reclaim tax. Therefore, buyers of equities across national borders normally are forced to look for capital gains rather than income.

Different local conditions mean that yields vary widely between different national stock markets, even when p/e ratios are consistent broadly. The UK is at the high end, with about 4¼ per cent. Other markets range down to the 2 per cent or so of Switzerland. On its own is Japan, with 0.5 per cent.

But if you discourage dividends too fiercely, companies will get fat and lazy. There is no better discipline for a board of directors than the need to write a hefty dividend cheque.

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FINANCE & THE FAMILY: THIS WEEK

Abbey National shares: time for a decision

If you are an Abbey National member, mark next Thursday in your diary, for that is the day that the offer price of shares in Abbey National PLC will be announced. If you are a fully-qualified member, you cannot miss out on the free shares. However, as **David Barchard** reports, you now have to think about whether you want to buy the extra shares which Abbey is offering only to its members. **Page V**

Think hard before you re-mortgage

As high interest rates begin to bite on hard-pressed borrowers, re-mortgaging has become big business. However, those hoping to cash in on the value of their homes should beware of the many pitfalls that lurk in the new mortgage market, warns **John Edwards**. **Page IV**

PEPs perplex but still thrive

Personal equity plans are still a mystery to many, according to a survey by Save & Prosper which shows that only one in eight private investors has a clear idea of what they actually are. However, as **John Edwards** reports, that has not stopped the flow of new PEPs being launched. **Page V**

Where choice is crucial

Prospects in the UK are worrying for investors at the moment with the pound looking vulnerable and the dollar surging ahead. In a period of uncertainty, where should the unit trust investor turn? **Christine Stopp reports. Page VI**

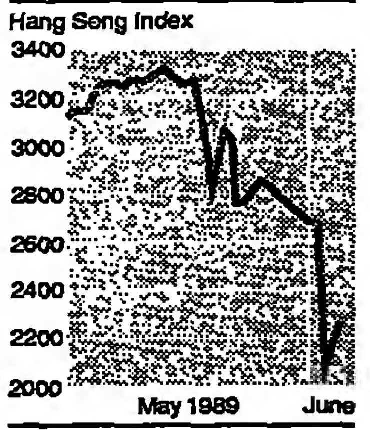
Building up a model business

Roy Hodson meets some entrepreneurs who have turned every schoolboy's dream into thriving small businesses, selling model planes, helicopters, trains and vintage Meccano sets. **Page VII**

■ BRIEFCASE: Giving the power of attorney: Page VI

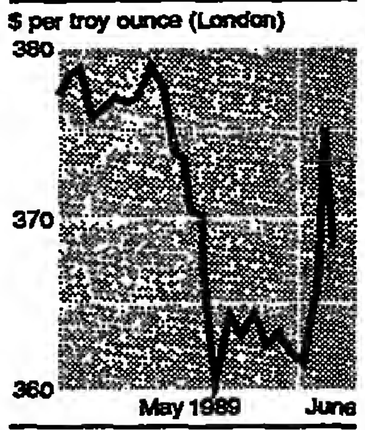
Hong Kong

Hang Seng Index



Gold price

$ per troy ounce (London)



Hong Kong market tumbles

The turmoil in China brought sharp falls on the Hong Kong stock market this week with the Hang Seng index plunging 22 per cent on Monday. The market subsequently rallied but still ended the week substantially lower at 2,268 compared with 2,675 a week ago.

Brokers in Hong Kong said that the market does not believe the unrest in China is over yet. They predict that the current recovery will be short lived and that the index may well fall to between 2,000 and 2,200 in the weeks ahead. This bodes ill for funds which have large amounts invested in Hong Kong. The latest figures available from Micropal showed that Hong Kong funds were already among the worst performing unit trusts in May and this week there have been further heavy falls in values. *Sara Webb*

Sharp jump in gold price

Gold jumped in price this week, reflecting nervousness about the turmoil in China, but the rise appears to have been only a temporary blip. A surge of speculative buying, primarily in New York, was triggered off by suggestions that the crash in the Hong Kong market might bring a big switch of funds into gold. The London bullion price rose to more than $375 an ounce at one stage, but subsequently eased back as sustained demand failed to materialise. Several analysts are predicting that the downward trend towards $300 will continue. *John Edwards*

Northern housing sector surges

House prices in the UK rose by 1.7 per cent during May, compared with 1.2 per cent in the previous month, according to figures from the Halifax Building Society out this week. While prices have fallen slightly in the south of England and the Midlands, where the market remains very flat, there has been a sharp increase in house prices in the north of England and Scotland.

Despite the latest monthly increase in prices, however, the annual rate of house price inflation in the UK has fallen to 26.9 per cent, from 28.5 per cent in April. The Halifax reports that demand for mortgages is "still very depressed." The average price paid by first-time buyers is now £47,500, or 24.7 per cent higher than a year ago. *S.W*

Lloyds raises mortgage rate

Lloyds Bank has raised its mortgage rate from Monday by 0.3 per cent to 13.8 per cent (APR 14.7 per cent). However, this move is not necessarily the first of a spate of mortgage rate increases by lenders. Banks and building societies have been trying to hold their rates steady despite the increase in base rate to 14 per cent on May 24. Building societies have indicated that they may be able to go for as long as three months without a change, unless base rate rises again. A Lloyds spokeswoman said that the adjustment was being made to bring Lloyds' mortgage rate into line with those of its competitors. The bank hopes to keep its mortgage rate at the new level until base rates change. *David Barchard*

Unit trust groups 'trading at loss'

Many unit trust companies are trading at a loss and need to introduce cost-control measures, according to a survey from Touche Ross management consultants. The report says that few of the unit trust firms were making "worthwhile profits" during the second half of 1988. It estimates that the Financial Services Act added about £8m in compliance expenses and has trimmed the groups' income considerably. *S W*

LONDON

Bad news from foreign fields

Worse than expected US statistics halt rally and depress sterling

LIKE THE rest of the world, London began the week trying to assess the enormity of events in Peking. By Friday, the market was reacting to a more conventional stimulus: economic indicators from across the Atlantic.

The worse than expected US wholesale price figures for May halted London's four-day rally in its tracks. By the end of the day, FT-SE 100 had fallen 13 points, but nevertheless finished the week 39.5 points ahead at 2142.1.

The US statistics also brought to a noisy end what had been a quieter week for sterling. With little prospect of lower US rates, the dollar surged by more than two cents against the pound, although the latter held its ground better elsewhere.

Sterling had maintained its resilience in the face of Chancellor Nigel Lawson's admission on Wednesday that inflation was likely to peak at higher than the 8 per cent he had forecast in March. Prices of long-dated gilts recovered most of the ground they lost late last week. The possibility that the Government might try a modicum of overfunding was discounted.

If the Chinese factor was soon forgotten by the wider market, that was little comfort for Cable & Wireless. Heavily exposed both to Hong Kong and to China itself, C&W fell 89p to 450p on Monday, although it was able to claw back about a quarter of that decline by Friday.

Transatlantic cellular-radio mania came to the rescue of Racal Electronics, which had lost 18p on Tuesday after the UK Government followed Washington's lead in banning arms sales to China. More US buying lifted Racal by 42p to 548p in the final three days of the week, a move mirrored by shares in the real object of desire, its 80 per cent Racal Telecom subsidiary.

London has never been quite as sweet as Wall Street on the future of cellular communications, but there was no way it could ignore the sector this week. Apart from Racal, the ambitious $6.5bn bid by McCaw for US rival LIN broadcasting gave a new sheen to British Telecom's 22 per cent holding in McCaw. BT shares added 31½p to 278p on the week.

Footsie ended the week 39.5 points up at 2142.1. Sterling lost more than 2 cents against the $

In a busy week for bidders, Asher Edelman hinted that he would like to add his name to the list. On Friday, at long last, the US arbitrageur told Storehouse that that he was willing to bid 185p per share for the Habitat/BhS/Mothercare chain under certain conditions. After an initial flurry, the market took an extremely jaundiced view, and Storehouse shares finished only 8p higher at 182p.

Isosceles added weight to its £1.87bn leveraged bid for Gateway with a market raid which lifted its directly held stake in Britain's third largest food retailer to more than 15 per cent. The bid and Isosceles' plan to sell 62 Gateway superstores to Asda were cleared to proceed without a monopolies reference.

The effort by Magnet's management to take the kitchen furniture manufacturer private with a record £629m buy-out bid appeared to have approached the finishing line. Sun Life, leader of an institutional revolt against the original terms, said that it would now accept the offer on behalf of its 12.45 per cent stake in Magnet's convertible shares.

This made it more likely that the management would reach the 90 per cent threshold in all classes of Magnet shares – or at least get close enough to convince senior lenders that success was inevitable, allowing them to waive stringent conditions over the financing.

Groupe Boulet Dru Dupuy Petit, the French advertising agency, dropped its £118.5m hostile pursuit of Boase Massimi Pollitt, clearing the way for the US white knight Omnicom to succeed with a rival offer for BMP.

On a much smaller scale, Peter Black, the consumer goods manufacturer and distributor, abruptly abandoned a bid for Lambert Howarth after – Black said – the footwear and luggage group's board spurned an approach which would have raised the value of its bid by a third to more than £10m.

Despite the mild winter, British Gas was able to send retiring chairman Sir Denis Rooke on his way with a 5.5 per cent rise to £1.33bn in historic-cost pre-tax profits. A dividend increase of 12.5 per cent underscored the group's confidence in the face of stricter government regulation on industrial tariffs.

Among other companies reporting results for the year to March 31, Boots provided a rare pleasant surprise in the retail sector by increasing pre-tax profits by nearly 25 per cent to £295m, excluding gains on property disposals.

Thorn EMI focused its corporate strategy ever tighter on core businesses of music, lighting and rental. It sold its gas meters division to Schlumberger for £62m and said the defence electronics and Kenwood food-mixer operations were also up for sale. Pre-tax profits advanced by 28 per cent to £289m.

For the same 12 months, FKI Babcock reported a doubling of pre-tax profits to nearly £106m and a 47 per cent rise in earnings per share. However, 1988-89 is likely to be the only full year that the electrical engineering and power generation group existed in that form. Later this summer, shareholders will be asked to split apart, through a disposal and partial demerger, the company put together only in 1987.

Reed International unveiled pre-tax profits ahead by 12 per cent to £271m for its year of transition from diversified manufacturer and publisher to a pure information group. Argyll Group lifted profits by 19 per cent to £208.5m, excluding the exceptional costs associated with converting the latest tranche of Presto stores into its flagship Safeway brand.

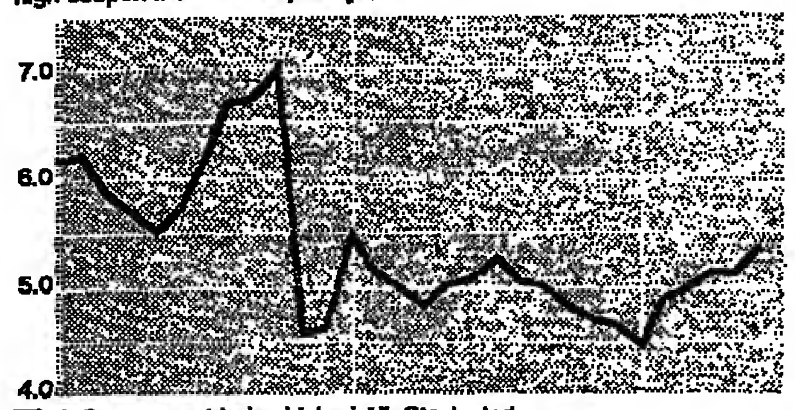
Hanson raised £127m in London with a share disposal in London and signalled its intention to realise roughly twice that amount on Wall Street later this year through a flotation of Smith Corona, the typewriter manufacturer it acquired three years ago as part of the SCM industrial conglomerate.

In the UK, Hanson sold its 5.2 per cent stake in Midland Bank to the Kuwait Investment Office, a move that lifted the latter's holding to more than 10 per cent. When the block went through the market on Thursday, most eyes turned eastward to look for the likely purchaser, but Hongkong and Shanghai Bank quickly denied that it had added to its 14.9 per cent holding.

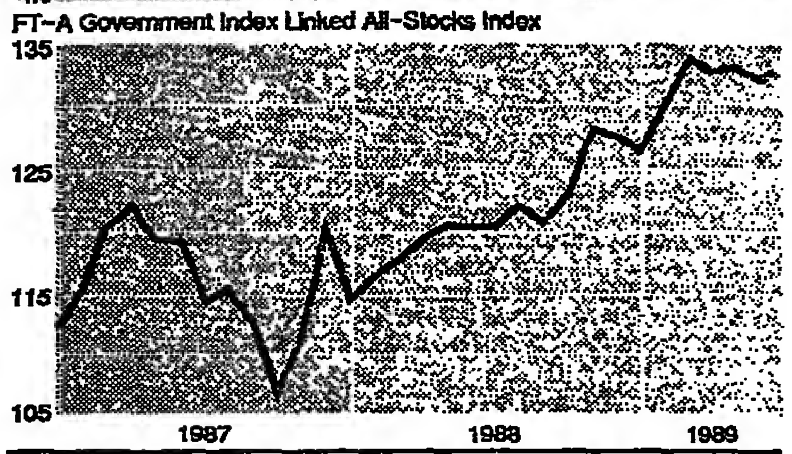
Clay Harris

Reverse yield gap

FT-A All-Share index dividend yield minus FT Govement 25 year high coupon index redemption yield



FT-A Government Index Linked All-Stocks Index



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2142.1	+39.5	2204.7	1782.8	Interest rate fears recede.
Amstrad	84	-10	193	78	UBS Phillips & Drew downgrading.
Anglia Sec. Homes	188	-51	460	188	Worries over falling house sales.
BAT Inds.	630	+49	644	447	US buying.
Body Shop Intl.	668	+79	673	480	Excellent figs./1-1 scrip.
Britannic	428	+33	433	319	Charterhouse 'buy' note.
British Gas	184½	+9	187	156½	Good figs. prompt upgradings.
British Telecom.	277½	+31	298	242½	US cellular bid/switching from C&W.
China & Eastern	68	-10	91	65	China/Hong Kong situation.
Foseco	361	+60	368	233	Scharf Bros. reveal 4.4% stake.
Inchcape	249	-24	291	203	China/Hong Kong situation.
Lyon & Lyon	413	+80	418	248	Agreed bid from Corton Beach.
Racal Electronics	548	+23	579	275	McCaw bid for LIN revalues coy.
Securicor Grp.	1060	+110	1060	385	McCaw cellular bid in US.
Ward White	312xd	+20½	316	198	Edelman stake speculation.

WALL STREET

It's all down to the dollar

"THE LUNATICS have taken over the asylum," declared one US bond analyst in bewilderment yesterday morning, as US bond prices soared to a new two-year high in response to a doubling in the monthly inflation rate.

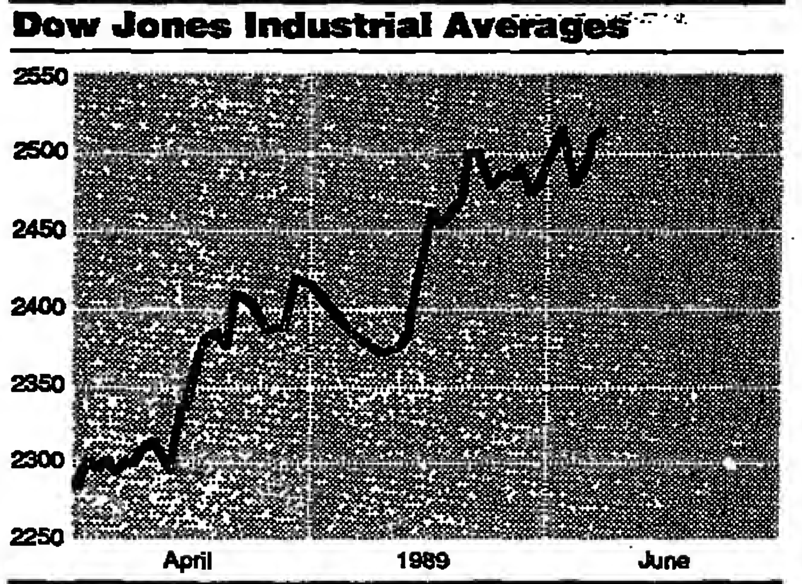
Behaviour among equity investors, in contrast, has been too calm to be described as lunacy. A fairer way to characterise the stock market situation might be to say that gamblers have taken over the casino. Indeed, the market now resembles a casino more closely than at any time since summer 1987, as company valuations come to be ruled increasingly by real and rumoured takeovers, and stock prices run up to the levels that precipitated the Crash.

Nevertheless, there seems no reason to expect a sharp decline in stock prices, as long as the dollar and the US bond market continues to sweep ahead on the wave of worldwide euphoria that began two months ago. If and when the bull market in dollar bonds goes into reverse, though, serious trouble will follow.

Therefore, for anybody wise, brave, and lucky enough to have participated in the 45 per cent run-up in US equity prices since November 1987, the time has come to think about locking in the profits. For the many individuals and institutions who got out two years ago and stayed out, this does not seem the time to take the plunge. However, for short-term speculators the rally may not yet be over and there may still be some profits before the downturn arrives.

There are at least three reasons why the stock market's immediate prospects seem quite promising, even while the longer-term values embodied in US equity prices continue to deteriorate. Firstly, the market's technical behaviour does not yet suggest that it has reached a long-term peak – a sharper spike than we have seen so far will probably be needed before a genuine bear market or a serious correction sets in.

Dow Jones Industrial Averages



Second, a serious market downturn is almost invariably preceded by a downturn in bond prices. And the macroeconomic situation at present, with inflation still a more serious risk than recession, make it perfectly rational for truly nimble traders to await a distress signal from the bond market before jumping off the equity market ship.

Third, and most important, there is the performance of the dollar. From a long-run perspective the recent surge in the dollar is bad news for the US stock market and the world economy. A high exchange rate will ultimately damage US industry's profits, the nation's trade performance and the balance of the world economy. However, past performance suggests that the dollar could continue to become more overvalued, increasing the short-term returns for international investors in US assets, for many months, maybe years, to come.

What is even more significant is that a strong dollar, despite its damaging long-run effects, seems to provide a firm short-term underpinning for US bond and equity prices.

Conventional wisdom on Wall Street holds that the dollar is rising because US bonds and equities have suddenly been perceived by the world's investors as great value. In reality, however, the causal chain probably works the other way round, as evidenced by yesterday's reaction to the PPI figures.

Initially, bond investors were understandably frightened by the much worse than expected inflation figures. But when the currency traders started bidding up the dollar, the bond market did a spectacular U-turn and jumped almost a point in less than an hour. Bond dealers rationalised their behaviour by saying that the PPI figures were an aberration, while currency dealers argued that high inflation would make it impossible for the Federal Reserve Board to cut interest rates further in the foreseeable future.

At one level, the two markets' reactions were incomprehensible. As Bob Brusca, chief economist of Nikko Securities, remarked yesterday: "I am in desperate need of an economic psychiatrist. The market is in two minds, but they are separated by a lobotomy."

If one assumes, however, that the dollar's rise has now become an autonomous force, with little or no relation to long-term economic factors, the recent behaviour of the world's financial markets becomes easier to explain. The dlooar's rise has made all US assets appear attractive to foreign investors and has convinced the world that US interest rates will ultimately converge towards the lower Japanese and German levels.

This has pushed up US bond prices and stock prices have risen in their wake. This process could continue for as long as it takes the speculative bubble in the dollar to burst. Given the benign initial impact of the higher dollar on US trade figures, as well as the genuinely anti-inflationary effects of a strong currency, the dollar could still have a good way to run. Once the dollar starts falling, however, head for the exits.

Monday	2480.70	+ 37.13
Tuesday	2496.32	+ 15.62
Wednesday	2512.32	+ 16
Thursday	2516.91	+ 4.59

Anatole Kaletsky

JUNIOR MARKETS

Norton gets on its bike again

WHEN THE Norton Group this week announced plans to leap-frog on to the main market through a reverse takeover, it heralded the departure of one of the most famous names on the Third Market.

For much of this century Norton was a world-renowned motorcycle manufacturer and even now the name is is revered by a generation of biking aficionados.

By reviving the Norton motorcycle, the company has won plaudits from thousands of fans. By contrast, its decision to reverse into Minty, a furniture maker, may seem a shade prosaic. However, it is typical of a company that has made few concessions to sentimentality.

Under its new management the company has already embraced a club membership promotions business and a piping components manufacturer. "We see our future as a conglomerate, rather than just a motorcycle manufacturer," said Philippe Le Roux, chief executive.

If biking fans see this as a faintly ignominious situation for the celebrated motorcycle business, it is in keeping with a story that is rich in ironies.

From the start of the century, Norton motorcycles have been famed for quality engineering and racing success. But the company was, by the 1970s, forced to its knees – largely thanks to its indifference to the threat posed by the flood of Japanese motorcycles.

The company also suffered through lack of investment, poor productivity and its involvement in an ill-fated government attempt to save the Triumph motorcycle export potential. In 1972, the then Conservative government asked Norton to launch a bid for BSA Triumph, with the intention of combining the businesses and closing the Triumph Meriden plant near Coventry.

This decision prompted employees at Meriden to stage a sit-in to stop the planned closure. When Tony Benn became Industry Secretary in 1974, he offered £5m to the Meriden workers to form a cooperative and Norton Villiers went into voluntary liquidation. But the odds were stacked heavily against the cooperative's success and it collapsed in 1983.

A new era began in 1985 when some property interests were injected into Norton Villiers Triumph, which by then was a mere shell that was about to go into liquidation. The business, renamed NVTG, inherited nearly 7000 shareholders, although it had no stock market quote.

Headed by two ex-army property entrepreneurs, the company had ambitions to move into financial services.

A few months later, however, the plans of the original duo fell through and a new board was constituted, with two former directors of Schroders, Philippe Le Roux and Ansell Egerton, as managing director and chairman.

In May 1987, with the help of funds raised by bike fans and long-suffering shareholders, they bought the Norton Villiers motorcycle business, the rights to the Norton name, and its high-performance rotary engine, a small vibration-free design which replaces traditional pistons with a rotor.

Their strategy was to develop a variety of markets for the rotary engine and revive the Norton motorcycle. This they did in October 1987, when they launched the rotary-engined Norton Classic, priced at about £6,000.

At the same time, they wanted to exploit the charisma of the Norton name with "Norton Collectables," a mail order catalogue selling everything from leather jackets to personal organisers. This ploy proved too costly, however, and now product merchandising is being done as part of a sponsorship agreement struck with John Player Special.

The convoluted saga underwent another twist at the end of 1987. The company joined the Third Market and announced a move into selling night-club and disco membership when they bought the London No 1 Club from the entrepreneurial duo Bob Tanner and Peter Whitfield.

But this diversion did not last. By October, it had shed the club memberships business and bought Pro-Fit Piping Components, a US engineering business, instead.

Although an apparently bewildering move, it had a certain logic. The company wants to develop their engine for applications such as unmanned surveillance aircraft and helicopters. To fund this Norton needed to build up counter-balancing businesses which would generate cash flow. Thanks to Pro-Fit, the company announced its first annual profit in March.

The latest deal, announced this week, lives up to the company's flair for complexity. Its reversal into Minty is designed to shore up its balance sheet, take it to the main market and help it on the road to becoming a mini-conglomerate.

The company has agreed to sell property and the Architectural Trading Company, worth about £13m, in an effort to raise cash. It then intends to hit the acquisition trail in a quest for companies with undervalued assets in both the UK and Europe.

Vanessa Holder

Thorn EMI masterplan enters second phase

COLIN SOUTHGATE and his team at Thorn EMI have virtually completed phase one of the task they set themselves when they took over management of the UK conglomerate which lost its way in the mid-1980s.

The fruits of this strategy were shown this week when Thorn announced a 21 per cent increase in earnings per share for the year to the end of March to 64.2p.

Phase one consisted of retreating from high-tech, high-risk areas and focusing on businesses where it had a chance to be a world leader. The television, telecommunications, domestic appliances and micro-chip subsidiaries have been sold off and margins have more than doubled, from 4.6 per cent in 1985/86 to 9.7 per cent in 1988/89.

The company also sold its gas meters division for £62m and put up for sale its defence electronics and Kenwood food mixer operations. These are probably the last major disposals Southgate will make for the time being. Together, the three businesses should bring in £400m in cash and reduce group gearing to zero.

The software and security divisions do not fit into any of Thorn's three core businesses – rental, lighting and music – but Southgate does not want to sell them, at least partly because of the emotional attachment he feels for Software Sciences, which he founded. Rumbelows, the group's electrical retailer, could be a candidate for disposal but would probably need to be brought back into profit and cleaned up first.

Gearing of zero obviously gives Thorn the option of embarking on a new spending spree to build up its core operations. The most likely move is a major lighting acquisition in North America, presently a hole in the group's portfolio. However, with base rates at 14 per cent, Southgate is in no hurry to go into debt.

The group is now entering phase two. In a sense, the obvious things have been done.

Can Thorn continue to improve margins, when they are already at an acceptable level? Moreover, can group management add any real value to the constituent elements of this conglomerate?

Thorn is now concentrating on improving the depth of management skills, not only at the top of the group but throughout

How Thorn responds to these challenges will determine whether it deserves to be on a higher prospective price/earnings ratio than the current 10. The signs are that they do.

Now that the different businesses have been brought down to a manageable number, group management is able to concentrate on allocating financial resources in a flexible way where they are needed most, and on giving strategic direction. The most important function, however, is probably in instilling a new dynamic culture into the previously tired group.

Over the past four and a half years, 140 of the top 150 executives have been replaced. Thorn is now concentrating on improving the depth of management skills, not only at the top of the group but throughout. This programme will be essential to the long-term health of the group.

Thorn plans to give its managers a more flexible training and experience so that they can cope with a wide variety of challenges, rather than allowing them to specialise too early. In this, it appears to be one of the more enlightened British companies – something which will stand it in good stead for the future – though even it still has a long way to go, particularly in areas such as tapping female talent.

More specifically, there is clearly some way to go before Thorn's North American music operations produce a healthy return, although they have now returned to profit. If the company can continue to attract a fair proportion of US stars, this will also boost the profitability of its music operations across the world.

In lighting, the strategy is to develop a common product line for all its European businesses, taking advantage of the move towards the single European market in 1992. This should streamline the operations and improve margins.

It is much less obvious what Thorn can do on the rental side. In the UK, it already has a massive market share for renting televisions and video recorders and it will be difficult to control costs much more. In the US, however, it is continuing its vigorous programme of expansion and plans to open about 150 shops this year.

A further point investors should bear in mind is that Thorn is now fairly well protected against an economic downturn, giving it defensive attractions. Half of group profits now come from abroad and half are outside the previously dominant rental business – a reasonably balanced portfolio.

Hugo Dixon

Barry Riley on two new approaches to Japan

Controlling the risks

THE TEMPTING but tricky Japanese stock market has bamboozled a lot of fund managers in the past few years. A lot of bad mistakes have been made. So, it is not surprising that some fancy new funds are being launched to cash-in on disenchantment with the standard products.

This week, N. M. Rothschild Asset Management unveiled its Protected Japanese Index-Linked fund while the fund management arm of Nikko, one of the big four Japanese securities groups, launched its Japanese sector rotation strategy. These are being aimed at institutional buyers to start with, but Rothschild will soon be launching a Guernsey-based unit trust which UK private investors will be able to buy through professional advisers.

In 1988, many pension fund managers underperformed the Tokyo indices by 10 per cent or more, a pattern that has now persisted for five years. Foreign fund managers cannot keep up with the twists and turns of the Tokyo market, where the action rotates from sector to sector, and it is all too easy to get left behind totally.

Looking at specialist Japanese unit trusts, the average fund has lagged behind the Tokyo New Stock Exchange index by 25 per cent in aggregate over the past three years, even on the favourable offer-to-offer price basis.

These two new approaches are entirely different: Rothschild's is defensive, Nikko's more aggressive and risky. But they share the use of sophisticated investment techniques.

The Rothschild investment technique has already been tried out privately for pension fund clients. It offers an apparently highly attractive one-year deal: if the Tokyo market goes up in sterling terms, you get at least 130 per cent of that increase. If it goes down, you get your original money back. Whatever happens, you cannot underperform the Tokyo index.

How is it done? It relies on the present high sterling interest rates. With the subscription money the managers buy one-year sterling CDs, paying about £88 for an investment which will mature in a year at £100. The remaining £12, less expenses, is invested in Japanese equity index warrants. On present terms, it is possible to buy enough Japanese market exposure to deliver much more than 100 per cent performance.

There is no magic here. Getting your money back is not such a good deal when you consider the amount of interest you will have foregone. But the downside risk is limited if you are one of the many foreign investors who fear that the Japanese market is over-valued dangerously and could collapse a long way in certain far from improbable circumstances.

Nikko's scheme is more controversial. It claims simulations show that not only will the fund keep up with the Tokyo market index, but that there are grounds for thinking it will outperform it by about 4 per cent a year. Nevertheless, it should be borne in mind that computer simulations are one thing but experience in practice can be different.

The fund will be managed highly actively. The managers will use sophisticated quantitative techniques to trade out of sectors which have shown relative strength, and into other sectors which have been weak but which, Nikko hopes, will be the next to shine. This could mean turning over between 15 and 25 per cent of the portfolio each month.

We can expect more of these fancy funds in the months ahead. No substantial investor will want to ignore Japan entirely, because it represents more than 40 per cent of the global stock market and has performed extremely well over the years. But people are looking for ways of controlling the risks.

Pensions ceiling is hoisted

GOOD NEWS this week for the self-employed and employees taking out personal pensions instead of joining a company scheme. The Government confirmed it had accepted an amendment put forward in the committee stage of the Finance Bill going through Parliament. This increases still further the maximum amount that people aged 61 or over can put into personal pensions and qualify for tax relief. The maximum contribution rate will now go up to 40 per cent of earnings.

The revised rates, together with the old rates, are shown in the accompanying table.

PERSONAL PENSION CONTRIBUTION RATES

Old no earnings limit		New earnings limit £60,000	
Up to 50	17½%	Up to 35	17½%
51-55	20%	36-45	20%
56-60	22½%	46-50	25%
61-75	27½%	51-55	30%
		56-60	35%
		61-75	40%

Substantial increases in the contribution rates on personal pensions were announced by the Chancellor in his Budget speech. He increased the maximum rate from 27.5 to 35 (now 40) per cent but, at the same time, introduced a £60,000 "ceiling" on earnings to which those rates are applied.

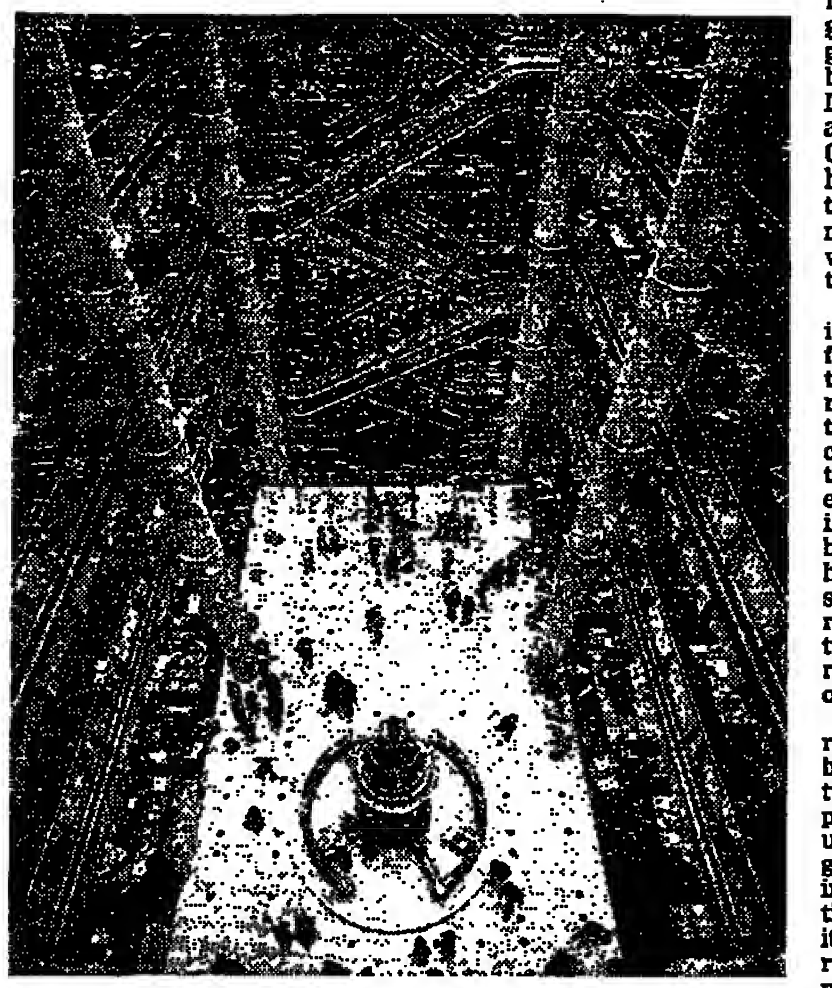
This further contribution concession will be welcomed particularly by high earners. It tips the balance even further in favour of personal pensions compared with executive pension arrangements.

It means that even with the new earnings "ceiling," the maximum contribution you can make under the new system will in many cases exceed the maximum possible under the old. For those holding the old-style retirement annuities (known as section 226 policies) the excess contribution, now available, can be invested in a personal pension – but it should be done on a single premium basis.

Eric Short

Nick Bunker assesses the impact of another underwriting disaster

Lloyd's loses its old appeal



Inside Lloyd's . . . where the living is not so easy

THERE, but for the grace of God, go I. If you are one of the 31,000 members of Lloyd's of London, that thought ought to cross your mind when you hear about one of the market's all-too-frequent underwriting disasters.

This week, 1,600 members of Lloyd's (or "names") received letters demanding £64m in the next five weeks to pay for a flood of liability insurance claims from the US. They were unlucky enough to have belonged in 1982 to a big Lloyd's marine syndicate, number 317/661, run by Richard Outhwaite.

Since the Lloyd's market's ruling council opted on Thursday not to help them out, the Outhwaite names are set for more cash calls and years of financial uncertainty. Their plight has become symbolic of a whole range of developments which are making membership of Lloyd's riskier, and helped to trigger last year's exodus of 1,700 names.

True, big underwriting losses at Lloyd's are never quite as dreadful as they look. The average Outhwaite 1982 name has to find £39,000 by mid-July, but most will be able to reclaim much of this from the Inland Revenue. Since underwriting losses are tax-deductible at the name's highest marginal rate – which in 1982 could have been as much as 60 per cent – some names will be getting more than half their losses back from the taxman.

And those who have stayed on as members of Lloyd's can expect to be getting some substantial cheques this spring and summer from other syndicates in respect of the 1986 underwriting year, a good one for marine and aviation syndicates in particular. For instance, syndicate 317 itself made a £22m pre-tax profit on its 1986 business.

These things take some of the sting out of the losses. Nonetheless, only blinkered traditionalists in Lime Street would deny that they still are bad enough to make many members of Lloyd's think twice about staying on, for fear of similar fiascoes.

Some Outhwaite names face severe financial difficulties. The worst hit could be "working names," meaning the 320 Outhwaite members who make their living working at Lloyd's. "I should think about 50 per cent of the working names will be absolutely up against it," says Lloyd's underwriting agent David Evers.

The truly nasty point is that the Outhwaite names may have to fork out more cash in future years as the syndicate increases estimates of its losses. It called £10m in 1986 and £20m in 1988, and another £75m could be needed in 1990. The final reckoning cannot be reached until the syndicate can close the 1982 accounts: no-one knows when that will be.

It might be mistaken to assume that any other Lloyd's syndicates will go wrong quite so badly. The Outhwaite case is odd because the losses stem from so-called "run-off" policies which he sold to other Lloyd's syndicates and insurance companies. He finished up with their liabilities for US "toxic tort" claims, such as those filed by victims of asbestos-related diseases. Claims for hazardous waste clean-up costs have also flowed in. But the Outhwaite situation is still relevant to other members of Lloyd's. It is a manifestation of a range of commercial problems making many names reassess their investment.

Top of the agenda is the issue of "open years." Syndicate 317 is one of at least 80 syndicates which say that there are too many doubts about the size of their claims for them to be able to say definitively what their profits or losses are. This is a cop-out. Leaving a syndicate year open means the names are stuck, unable to resign from Lloyd's, with an unquantifiable burden of losses hanging over them. When they die, those losses remain as a potential charge on their estates.

There are other reasons why Lloyd's membership looks less attractive than five years ago. For one thing, the Inland Revenue has whittled down its fiscal advantages ever since it dawned on tax inspectors in 1982 that some leading Lloyd's underwriters had been tax evaders on a mammoth scale.

A landmark was the 1985 Finance Act which did away with "bond-washing," by which investors could turn highly-taxable investment income into more lightly-taxed capital gains. This was done by buying gilts and reselling them shortly before they went ex-dividend. Lloyd's syndicates had been avid bond-washers. And the Chancellor of the Exchequer has also brought down sharply the top rate of income tax meaning that, in future, names will be able to write off less of their losses.

As tax advantages shrink, so it looks a lot less worthwhile for individuals to join a "catastrophe market" dealing in mega-risks. It is a sobering thought that as much as 90 per cent of the $1bn-plus cost of the Piper Alpha oil platform explosion could fall on insurers in London. Why should a small businessman, who has made his pile and decided to retire, subject himself to this kind of risk for the sake of what may turn out to be pretty mediocre rewards when averaged out over 10 years?

The knee-jerk Lloyd's response is to say that a name benefits by "using his money twice." Names pledge all their personal assets as security for underwriting, but those assets go on earning investment income or capital gains in addition to the names' trading profits. True, but last year's mass resignations suggest that names are voting with their feet. It is by no means clear how many will go this year but one expert Lloyd's marine underwriter, Jimmy Archer, would not be surprised to see membership drop 25 per cent over the next five years.

Lloyd's was probably overdue for a shake-out. In the 1970s and early 1980s, its status as an onshore tax haven lured thousands of new investors with no knowledge of insurance. Was this ever a good idea? Maybe not. Insurance is highly technical, especially the Lloyd's parts of it. If you work in the City, particularly in insurance, or have a lot of spare time to get close to what is happening commercially in the market, then becoming a name can still make good sense. Otherwise, don't put your daughter into Lloyd's, Mrs Worthington.

IN BRIEF

Students wooed

LLOYDS Bank is wooing student customers with the offer of a free Eurocheque card and Young Persons Railcard, worth £20 altogether.

Normally, Lloyds charges £5 for its Eurocheque card, which is valid for two years and can be used in Europe and certain other countries (although it can prove an expensive way of paying for goods and services overseas).

In addition, students who apply for an Access card can have a free Young Persons Railcard, worth £15, which allows discounts on rail travel in the UK.

Lloyds offers students overdrafts of up to £200 interest-free and does not impose extra charges for cheques and cash withdrawals. Accounts kept in credit now attract interest at 6.5 per cent net. Other perks include commission-free currency exchange and travellers cheques (in sterling and US dollars).

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AT THE opposite extreme to students when it comes to personal wealth, Coutts & Co is starting an advisory service for customers with £100,000 or more to invest. They will have their own manager to advise them on UK and international investments, as well as receiving monthly market reports and half-yearly overviews.

There is a charge of 0.25 per cent of the value of the portfolio (which is levied every six months) for the advisory service. In addition, the brokerage rates for shares range from 1.65 per cent on the first £5,000, 1.5 per cent on the next £7,500, and 0.5 per cent thereafter.

□ □ □

BRITANNIA Building Society has launched a one-year term bond which will pay interest at a rate of 10.5 per cent. The minimum investment is £25,000 and investors will have to leave their money sewn up for a year, since they are not allowed to make withdrawals during the period.

FINANCE & THE FAMILY

The Week Ahead

China crisis hits C&W

WORLD POLITICS, transatlantic takeover ploys and parochial speculation pressed a lot of buttons on the London Stock Exchange this week; with nerves jangling, or excitement rising, a number of the companies involved in all this will bring their results to next week's table.

Last weekend's massacre in Peking was followed by a 22 per cent slide in the Hong Kong stock market on Monday, which left Cable & Wireless a full 89p lower on the day at 450p. Before this, investors had got excited over US valuation methods for telephone networks and the implications for C&W's Mercury offshoot. What they chose to forget was that the group was getting nearly three-quarters of its profits from Hong Kong; the return of the Colony to Chinese rule in 1997; and the political and economic uncertainties that these items entailed.

In Panmure Gordon's pre-season review of electronics and telephone networks, Tressan MacCarthy and Marianne Woods expect C&W to show pre-tax profits up by £70m to £426.5m when the *full-year* results come out on Wednesday. They also table estimates of £183m for Racal Electronics, and £74.2m for Racal Telecom, due to produce their full-year results on Tuesday.

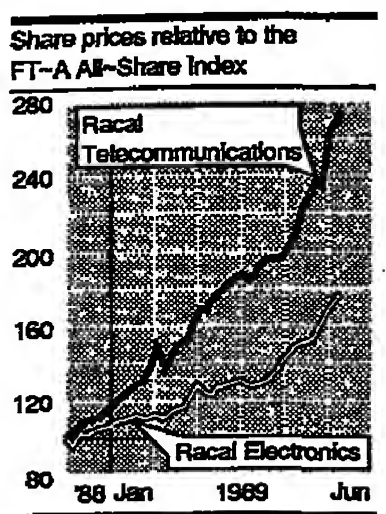
Of the Racal twins, it is the small one that has the big p/e ratio – 98 – driven up by the American method of valuing networks in relation to the number of customers they claim. On Monday, it was looking toppy. On Wednesday it looked at the US bid by McCaw for LIN Broadcasting, took heart at the arithmetic and the shares galloped away again.

This year has also seen a couple of solid performances in the privatisation stocks, BAA and British Steel. However *BAA, which is due to open the week with its results on Monday*, hit rocky ground a month ago, when the Office of Fair Trading said that it might refer some of its price rises to the Monopolies and Mergers Commission.

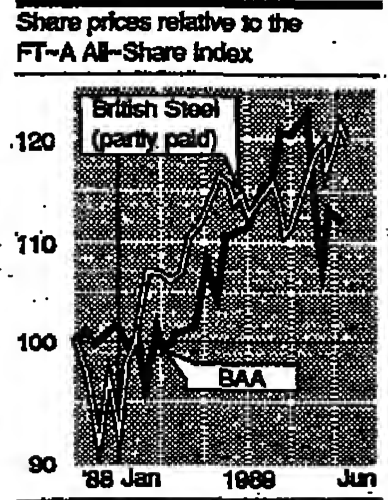
Jennie Younger and Ian Wild of Barclays de Zoete Wedd Research think that a rise in pre-tax profits from £166m to £196m, along with good traffic figures and excellent profits prospects, may help the market change its mind again.

British Steel was floated at a "bargain basement" price of 125p a share last December, when the prospects for steel demand were forecast to be dull and the stock market was having a short-term slump. However, steel consumption continued to surge; the market recovered; Steel's yield was high and the offer partly paid, and the shares have reflected all of this.

Share prices relative to the FT-A All-Share Index



Share prices relative to the FT-A All-Share Index



Rob Davies and Jim Lennon of Shearson Lehman Hutton expect the company to produce pre-tax profits of £616m next Thursday, against the prospectus forecast of not less than £550m, adding that steel demand should weaken in the second half of 1989.

Wünderkind of yesteryear appear in the week's big interim, from Saatchi & Saatchi on Wednesday. The international advertising agency warned in March that its profits would be lower this year, and Rebecca Munns and Chris Akers of Citicorp Scrimgeour Vickers expect the half time figure to drop from £63.1m to £20.5m on the way to £95m (£126.4m) for the year.

On the same day, a fall in profits is also expected from SG Warburg, still the class act in merchant banking but unable, completely, to transcend the trials of a post-crash market. The fall, say Rod Barrett and Nick Collier of Hoare Govett, will reflect sizeable losses in Warburg's securities operations but strong results from both corporate finance and asset management (the latter, also, to be reflected in results from its 75 per cent owned subsidiary, Mercury Asset Management). The figure they expect is £87m pre-tax against £111m previously.

There have been bearish noises recently about Pilkington, the glassmaker, though not to the extent of expecting lower profits. The company came in at the lower end of expectations with its interim figures last December, when profits were 14 per cent higher at £139m before tax. Analysts lately seem to have been settling around £325m for 12 months against £302m in 1987-88, with hopes of £375m in the current year.

However, Jamie Stevenson of Kleinwort Benson Securities said recently that political problems in Argentina could damage the group's South American business in 1989-90. In the UK, he added, there was also the possibility of a price war in glass as the residential building boom slows down.

At a more strategic level, Kleinwort's Trevor Laugharne is wondering whether, in a relatively buoyant stock market, the balance of greed over fear will shift next week when the market has a batch of inflation indicators to consider: Producer prices for May on Monday, April's UK average earnings figures on Thursday and retail prices for May on Friday.

Monday sees provisional retail sales for May, as well, while the end of the week may also exercise itself with Thursday's by-elections, at Vauxhall and at Glasgow Central.

Coming back, in the end, to speculation, the week will be graced by two results from the food manufacturing sector, wherein there has been much talk about the prospects implicit in transferring brand valuation into share prices. Unfortunately, the sector as a whole has been a solid underperformer over the past year. This reflects, particularly, the mild winter, which has left consumers with unusually good supplies of cheap fresh food at the expense of cold weather and prepared brands.

Hoare Govett sets the tone for the Unigate results on Monday, and Northern Foods on Tuesday, expecting the former to lift profits by a meagre £5m to £99m and the latter to move up from £77.3m to £85m. A bidder, of course, would make all the difference in the world . . .

William Cochrane

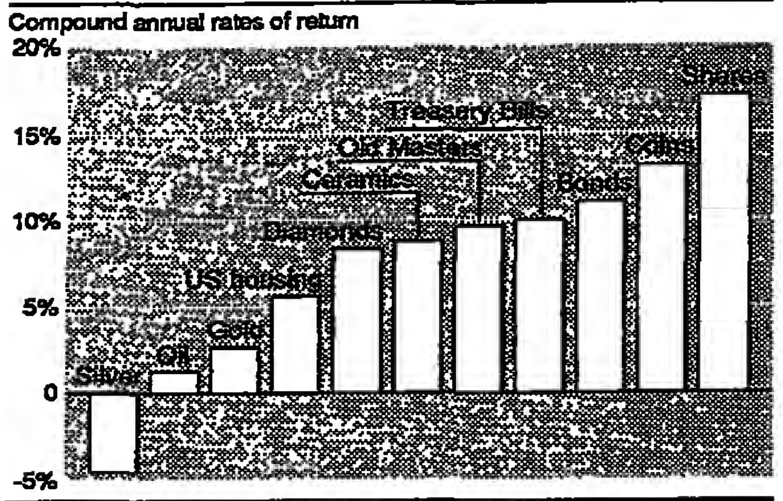
RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Alexon Group	Monday	2.5	5.5	4.0
Alphameric	Tuesday	1.0	2.5	1.0
Amersham International	Wednesday	3.2	6.1	3.5
[illegible]	Wednesday	3.0	4.25	3.5
BAA	Monday	-	4.5	1.0
[illegible]	Monday	-	-	-
British Steel	Thursday	-	-	-
Bromsgrove Industries	Monday	0.65	1.45	1.0
BSS Group	Tuesday	4.0	8.0	5.0
Cable & Wireless	Wednesday	2.3	4.35	2.6
Cambridge Instrument Company	Wednesday	0.22	0.55	0.24
Cape Industries	Thursday	1.5	4.0	2.0
Caster Allen Holdings	Wednesday	5.37	17.13	5.37
Chancery	Thursday	1.80	4.2	2.5
Chloride Group	Thursday	0.5	1.5	0.55
Clayhithe	Monday	0.75	2.25	1.5
Cohen A & Company	Monday	4.1	10.42	4.0
Cropper James	Wednesday	0.675	1.45	0.875
Darby Group	Friday	-	-	-
Dawson International	Wednesday	2.4	5.4	2.65
EMAP	Wednesday	1.1	3.1	1.43
Equity & General	Thursday	0.4	0.95	0.5
F&C Smaller Companies	Tuesday	0.34	0.8	0.40
Ferguson Industrial Holdings	Tuesday	3.4	6.5	3.75
Harrison Industries	Monday	2.1	4.75	2.1
Heath CE	Wednesday	7.3	18.375	7.5
Hoskins Brewery	Friday	-	-	-
Hughes HT	Monday	0.5	-	1.1
Image Storage/Retrieval Syst.	Tuesday	-	-	-
Investment Company	Thursday	0.23	0.85	0.25
Johnson Matthey	Thursday	2.5	4.5	2.5
JS Pathology	Thursday	1.8	3.7	1.8
Learmonth & Burchett	Tuesday	1.0	1.2	1.5
Locker Thomas & Sons	Tuesday	0.375	1.05	0.375
London International Group	Thursday	2.05	4.25	2.35
Mansfield Brewery	Wednesday	2.25	6.75	2.25
Marina Development Group	Tuesday	-	1.0	2.0
Mercury Asset Management	Tuesday	3.0	9.0	3.5
M&G Second Dual Trust	Wednesday	7.96	7.83	8.64
[illegible]	Wednesday	-	1.0	-
New London	Monday	-	-	-
Northern Foods	Tuesday	4.25	5.75	4.75
Pilkington	Wednesday	2.35	6.05‡	2.65
[illegible]	Friday	-	-	1.7
Racal Electronics	Tuesday	1.085	3.37	1.47
Racal Telecom	Tuesday	-	-	-
Regalian Properties	Wednesday	1.0	2.5	1.5
[illegible]	Friday	-	-	-
Salvesen Christian	Wednesday	1.5	2.8	1.7
Scapa Group	Tuesday	2.26	5.42	2.54
Tams John Group	Thursday	-	-	1.2
TGI	Wednesday	-	2.4	2.0
Unigate	Monday	4.95	7.7	5.3
Vosper Thornycroft Holdings	Wednesday	-	0.625	2.75
VSEL Consortium	Thursday	3.0	7.0	3.4
Waddington John	Wednesday	3.1	3.5	3.4
Warburg SG Group	Tuesday	3.5	6.0	3.7
Wardell Roberts	Tuesday	0.9	1.4	1.0
INTERIM DIVIDENDS				
Baltic Holdings	Wednes.††	-	8	-
Bradstock Group	Thursday	1.5	5.25	-
Burndene Investments	Monday	2.0	5.0	-
Carroll PJ & Company	Monday	2.8	5.4	-
Chemring Group	Wednesday	7.5	14.0	-
Chrysalis Group	Friday	2.0	2.0	-
Colorvision	Thursday	2.5	3.8	-
Control Techniques	Wednesday	1.5	3.0	-
French Thomas & Sons	Thursday	1.2075	1.8125	-
Gardiner Group	Tuesday	0.25	0.5	-
[illegible]	Friday	-	-	-
Hoskyns Group	Thursday	0.9	2.0	-
[illegible]	Monday	2.1	4.4	-
KLP Group	Wednesday	1.65	3.7	-
Lookers	Thursday	1.5	6.15	-
Lovell YJ Holdings	Tuesday	-	0.8	-
[illegible]	Monday	-	-	-
Norton Opax	Tuesday	1.5	3.5	-
River Plate & General Inv Tst.	Wednesday	3.0	3.8675	-
Saatchi & Saatchi	Wednesday	7.4	8.6	-
Sheriff Holdings	Wednesday	-	-	-
Strata Investments	Friday	-	0.7	-
Sturge Holdings	Tuesday	3.25	6.75	-
Watson & Philip	Wednesday	2.65	6.75	-
Williams John of Cardiff	Monday	-	-	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† Per share gross.‡ Danish krona. * 1st quarter figures.‡ Second interim dividend.

Performance of various financial and tangible assets during the 1980s

Compound annual rates of return



Not such a rosy picture

HARDLY a month goes by without some collector or well-heeled financier snapping up a famous work of art and setting another auction record. In fact, Old Master paintings shot up by 50.7 per cent in the year to June 1.

They outperformed stocks, bonds, gold and (the girl's traditional best friend) diamonds, according to a report from Salomon Brothers which assesses the performance of various financial and tangible assets each year.

So, should readers plough their life savings into a painting by Montegna or Pontormo the next time one comes on the market in the hope of making a killing a year or so later?

Probably not. Salomon Brothers regards the surge in prices for collectibles such as Old Masters and Chinese ceramics as somewhat anomalous.

As the report puts it: "Collectibles benefit from the investor's desire to consume conspicuously . . . owning a barrel of oil or a thousand acres of farmland just does not fit the bill the way an Old Master painting does."

Less ostentatious tangible assets like commodities and US real estate, which lack the cachet of a Van Gogh or Picasso, have been the losers of the decade while financial assets have been the best performers during the 1980s.

Salomon Brothers claims that, for US investors at least, the present economic climate favours financial assets rather than tangible ones and that this situation is likely to hold for the next year.

Sara Webb

Beware the re-mortgaging traps

"WHY ARE you so happy, Eddie?"

"Because I've found a way of unlocking my capital."

This snappy, if improbable, piece of dialogue between TV comedians Little and Large has been featured in press advertisements recently, offering a way to "release thousands of ££££s in your house today."

As high interest rates begin to bite on hard-pressed borrowers, re-mortgaging has become big business. To help overcome a cash shortage, or to pay off debts, house-owners are being urged to use their homes as collateral to borrow large sums of money at the much lower mortgage rates of interest. In other words, to swap expensive short-term debt for cheaper long-term debt, so putting their homes at increased risk.

Although property prices are looking rather shaky, the prolonged housing boom means that many people have mortgages that represent only a small proportion of the full value of their houses. They find little difficulty in either taking out a second mortgage in addition to their existing loan or, alternatively, replacing it with a bigger single mortgage (re-mortgaging). But second mortgages tend to be more expensive as the lender has only a secondary charge on your property and is, therefore, exposed to a higher risk.

Taking out a new mortgage can be more attractive. You might get a lower rate of interest (at least temporarily) and perhaps switch to one of the several different mortgage options – fixed rate, low cost or low start – to reduce the cost of repayments. However, there are snags.

One point to watch is that you could lose some of the Miras (mortgage interest relief at source) allowable under your existing mortgage, since some concessions are no longer available for new mortgages.

For example, since August 1988 the ability to claim more than one allowance per property has been withdrawn. So, if you took out a joint mortgage with someone other than your spouse for, say, £60,000, you would be entitled to only one allowance of £30,000.

Alternatively, if you borrowed more for home improvements – say, £10,000 on top of an original loan for £30,000 – you would be still be entitled only to an allowance for £30,000 because home improvement loans are no longer eligible for relief. Relief for a mortgage taken out on behalf of a dependent relation has also been withdrawn.

Perhaps most crucial, when you take out a new mortgage on your existing property you are entitled only to the relief given originally to buy the house. So, if your original mortgage was £10,000, you can get tax relief for only that sum – even if your new mortgage is £60,000.

Re-mortgaging can also involve legal and valuation fees, and many lenders may try to impose "arrangement" or "administration" charges.

Home loans are not deemed to be an investment under the Financial Services Act, so lenders or mortgage brokers are not required legally to give "best advice." They do, however, have to be licenced by the Office of Fair Trading under *the Consumer Credit Act.*

Mortgage lenders who offer investment products like endowment or life assurance policies have to be authorised by the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra). If they are not authorised, they can "introduce" investment business elsewhere, but only to independent financial advisers who offer a choice. If they "introduce" business to an agent who is tied to a particular company or a company representative, it is considered to be giving investment advice.

The rise in property values means there are plenty of willing lenders, including the big clearing banks, eager to provide larger mortgages. There are also less respectable organisations ready to prey on borrowers who do not appreciate that their homes are at risk if they fail to keep up repayments.

During a period of high inflation, it seems no bad idea in principle to borrow at the cheaper mortgage interest rate despite not receiving any extra tax relief. But remember that you are transferring and increasing your outstanding debt rather than unlocking capital.

John Edwards

A 'cut-price' ECU home loan

FOREIGN CURRENCY mortgages may offer lower interest rates but they involve a heavy currency risk. Kean Seager, managing director of Bristol-based intermediary Whitechurch Securities, believes he has found a way of offsetting the risk and making it worthwhile to take out a European Currency Unit (ECU) home loan.

Until now, Seager has been opposed to foreign currency mortgages because, if currency rates move against you (as they have for sterling holders recently), you can end up owing considerably more than you borrowed. He feels, however, that the risk is reduced considerably with an ECU loan, because the ECU is made up of a basket of 10 currencies that includes sterling. So, it should not be so volatile and should reflect the movements in sterling to some extent.

As a result, the interest rate on an ECU mortgage is higher than straight Deutschmark or Swiss franc loans. Nevertheless, it is now some 2 per cent below the cost of an average UK mortgage and can provide quite a saving.

Against that 2 per saving, you have to take into account the potential loss from a fall in the value of sterling. There are ways of "hedging" against currency fluctuations by the use of options or futures, but these can be costly. Seager proposes a more practical method – split capital investment trusts.

He suggests, for example, that someone with an existing £50,000 sterling mortgage should exchange it for an ECU loan equivalent to £55,000, of which £50,000 would be used for an endowment mortgage and the extra £5,000 invested in a portfolio of capital shares of a split investment trust.

Seager estimates that even with poor stock market conditions, capital shares should provide a return that would more than cover potential losses incurred on the mortgage payments from a decline in the value of sterling.

J.E

COMPANY NEWS: TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
Prices in pence unless otherwise indicated					
Antler	320††	317	203	19.04	Wassall
[illegible]	385*	364	343	125.35	[illegible]
Business Mort Tst	68½	65	61	10.30	Nat. Home Loans
Chambers & Fargus	158½	147	149½	9.80	[illegible]
Coalite	425*	441	424	427.0	Anglo United
Gateway	210*	210½	184	1.67bn	Isosceles
Guinness Mahon	146*	140	142	94.46	Bk. of Yokohama
Habit Precision	77⅞§	76	70	10.30	Epicure
Julliana's Hldgs.	102	91	83	21.52	Wembley
Laidlaw Thomson	203⅛§	199	165	13.89	Newman Tonks
Lyon & Lyon	425*	416	345	13.6	[illegible]
MB Cash & Carry	155*	150	142	13.02	Fitzwilton
[illegible]	300*	290	289	548.22	[illegible]
Marler Estates	98½	102	98	75.18	[illegible]
Prop. Co. London	180	195	255	23.60	[illegible]
Prospective Grp.	61½	61	68	20.93	[illegible]
Tootal	140§§	125½	132	396.23	Coats Viyella
UEI	731	701	529	517.0	Carlton Comms.
WA Hldgs.	22½	58	41	19.98	Haden MacLellan

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡‡Unconditional.**Based on 2.30pm prices 9/6/89.†At suspension. §§Shares and cash. ♦Price before indication of offer:114p.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.68	monthly	1	-	0-7
High interest cheque	7.60	7.90	6.32	monthly	1	1,000-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	10,000	0
90-day	9.05	9.25	7.40	half yearly	1	500-9,999	90
90-day	9.50	9.73	7.78	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	8.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th issue♦	7.50	7.50	7.50	not applica.	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica.	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	9.78	10.23	8.18	monthly	1	2,500	0
Provincial Bank	10.27	10.77	8.62	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	10.85	9.69	8.94	half yearly	4	-	0
8pc Treasury 1992	11.42	9.31	8.05	half yearly	4	-	0
10.25pc Exchequer 1995	10.96	8.34	6.77	half yearly	4	-	0
3pc Treasury 1990	10.29	9.50	9.03	half yearly	4	-	0
3pc Treasury 1992	9.61	8.77	8.27	half yearly	4	-	0
Index-linked 2pc1992§§	8.96	8.44	8.13	half yearly	2/4	-	0

*Lloyds Bank.†Halifax, 90-day; immediate access for balances over £5,000.♦ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Acal	Mar	3,660	(2,460)	15.7	(12.6)	4.05	(-)
Allied Colloids	Apr	36,200	(35,420)	8.92	(8.9)	2.65	(2.3)
Argyll Group	Apr	208,500	(175,200)	16.1	(13.1)	6.2	(5.3)
Atkins Brothers	Mar	1,270	(1,620)	21.1	(28.4)	11.0	(10.0)
[illegible] Cos.	Feb	549	(1,245)	5.21	(8.94)	5.55	(4.4)
Body Shop Intl	Feb	15,240	(7,200)	20.4	(10.7)	3.375	(1.5)
Boots	Mar	295,000	(236,300)	22.5	(19.7)	10.0	(8.8)
British Gas	Mar	1.33bn	(1.26bn)	21.2	(19.7)	9.0	(8.0)
British Land	Mar	69,790	(56,400)	21.0	(17.8)	4.63	(4.0)
Broadwell Land	Mar	7,060	(4,150)	19.1	(14.3)	5.0	(-)
Brown N Group	Mar	8,100	(13,500)	7.13	(15.8)	5.0	(5.0)
[illegible] Group	Apr	2,750	(1,850)	16.1	(12.0)	5.0	(3.5)
Caradon	Mar	33,800	(20,700)	37.0	(26.6)	11.0	(10.0)
Century Oils	Mar	4,050	(5,220)	8.82	(11.6)	6.0	(6.0)
[illegible] Express	Mar	1,130	(724)	7.4	(1.2)	1.3	(-)
CML Microsystems	Mar	3,320	(2,520)	12.1	(8.76)	1.8	(1.4)
Coalite Group	Mar	48,610	(45,530)	35.3	(31.2)	14.0	(9.8)
Cupid	Mar	440	(301)	13.9	(11.3)	2.2	(2.0)
De La Rue	Mar	26,300	(62,420)	4.9	(31.1)	13.2	(13.2)
Edbro	Mar	4,200	(2,900)	34.0	(24.0)	11.0	(9.0)
Electrocomponents	Mar	53,700	(46,700)	16.6	(14.7)	5.07	(4.37)
Fergebrook Group	Dec	4,220 L	(541)	(1.82)		-	(-)
Finlay James	Dec	7,270	(3,120)	5.2	(3.1)	4.15	(4.15)
FKI Babcock	Mar	107,860	(48,570)	18.0	(12.2)	4.5	(2.35)
Great Portland	Mar	29,380	(24,730)	10.2	(10.5)	8.0	(8.1)
Hanover Druce	Feb	2,140	(1,610)	17.6	(14.3)	5.0	(4.35)
Hazlewood Foods	Mar	46,500	(33,600)	16.8	(12.9)	4.0	(2.8)
Henderson Admin.	Mar	12,440	(22,460)	37.9	(65.7)	30.0	(27.0)
[illegible]	Feb	6,050	(5,010)	14.1	(11.3)	5.05	(4.05)
ITL Information	Apr	1,150 L	(2,520)	-	(5.66)	0.5	(2.0)
Leigh Interests	Mar	3,680	(4,130)	12.9	(11.0)	6.22	(5.65)
Marshalls	Mar	25,030	(13,100)	27.1	(20.4)	8.75	(7.25)
Marston Thomp.	Mar	14,900	(12,920)	11.3	(9.74)	3.36	(2.9)
Monks & Crane	Mar	2,510	(2,010)	9.4	(7.4)	3.83	(3.2)
NMC Group	Mar	10,060	(6,320)	13.0	(10.4)	3.3	(2.3)
Norcros	Mar	66,890	(65,600)	33.5	(33.0)	16.0	(14.4)
Normans Group	Apr	5,030	(3,990)	4.74	(4.12)	2.2	(1.95)
Oxford Instrum's	Mar	11,270	(11,160)	15.0	(14.9)	3.2	(2.7)
Palmerston Hldgs	Mar	5,100	(3,090)	19.1	(9.6)	8.5	(-)
Phoenix Timber	Mar	1,420	(1,470)	10.2	(10.1)	2.75	(2.5)
Ports. & Sunder.	Apr	5,750	(4,360)	28.5	(21.4)	6.86	(5.28)
Powell Duffryn	Mar	33,930	(33,000)	38.6	(34.6)	20.5	(18.5)
Powerscreen Int.	Mar	11,550	(9,040)	12.0	(10.1)	4.2	(3.5)
Premier Cons Oil	Mar	6,550	(14,330)	1.69	(2.86)	-	(1.0)
Reed Int'l.	Mar	271,000	(242,000)	34.5	(32.9)	12.0	(10.0)
Readpack	Apr※	28,000	(-)	84.5	(-)	-	(-)
Rothschild J.	Mar.	134,000	(111,000)	32.1	(23.5)	9.5	(8.0)
Rowlinson Secs.	Mar	3,110	(1,554)	16.9	(8.23)	1.35	(0.9)
Sanders & Sidney	Mar	852	(778)	11.7	(10.8)	6.9	(6.0)
Sheraton Secs.	Mar	23,160	(11,270)	13.8	(6.8)	4.5	(2.25)
600 Group	Mar	10,100	(6,645)	14.8	(11.3)	6.2	(5.77)
Sketchley	Mar	17,270	(13,390)	35.7	(31.0)	20.9	(19.0)
Thorn EMI	Mar	289,000	(225,800)	64.2	(53.0)	27.0	(22.0)
Unilock Holdings	Mar	2,010	(1,150)	5.74	(4.39)	2.6	(2.2)
Yale & Valor	Mar	49,300	(34,500)	27.3	(23.9)	8.75	(7.5)
York Trust Group	Mar	8,550	(5,510)	6.8	(8.1)	2.7	(2.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Anglia Secure Homes	Mar	2,760	(2,410)	1.25	(1.25)
Borthwicks	Apr	2,140 L	(304)	0.5	(0.5)
Brooke Tool Eng.	Mar	820	(755)	0.72	(0.7)
Camford Engineering	Mar	2,220	(1,570)	1.3	(1.0)
Cranbrook Electronic	Mar	113	(75)	0.5	(0.5)
Docius	Mar	940	(743)	0.85	(0.5)
Dwyer	Mar	1,380	(841)	1.5	(1.0)
Flexello Castors	Mar	508	(29 L)	1.67	(1.5)
Gaynor Group	Feb	300	(305)	1.2	(1.2)
Greenwich Resources	Mar	911 L	(636)	-	(-)
Hunterprint Group	Apr	2,310	(3,600)	3.0	(3.0)
Johnson & Firth Brwn	Mar	4,660	(3,850)	0.8	(0.6)
Lombard North Cent.	Mar	42,900	(57,600)	-	(-)
Neotronics Tech.	Mar	935	(1,160)	0.6	(0.6)
RCO Holdings	Mar	1,300	(923)	2.7	(2.0)
Telecomputing	Mar	145	(189 L)	-	(-)
VPI Group	Mar	5,060	(6,430)	1.1	(1.0)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.※ Figures for 8 month period.‡ This years figures for 17 month period.† Figures on a historical cost basis.

RIGHTS ISSUES

Fergebrook Group is to raise £3.27m via a three-for-eight rights issue.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Ball AH Group is to join the USM via a placing of 1.83m shares at 185p.

Hadleigh Industries is to join the USM via a placing of 1.1m shares at 160p.

Plastiseal is to join the USM via a placing of 2.2m shares at 90p.

Smith James Estates is to join the USM via a placing of 3.75m shares at 105p.

هكذا من الأصل

›econd ime ucky

‹IAN PARSONS (above), ›se appointment as unit t ombudsman was ›ounced this week, admits ›as a steep learning curve ›d of him. His predecessor, ›stopher Price, the first ›ke on the job, resigned r only six months because ›ound the work far too ›key in legal terms. When ›ting two months ago, he ›d the Government's ›ncial services legislation ›ambles.

›rsons, a Charity ›missioner, takes up the ›at the beginning of next ›th and hopes to instil › confidence in the scheme › its poor start. He ›owledges the importance ›lding a balance between ›nterests of the investing ›ic and the unit trust ›stry.

›ny of the cases with ›h his predecessor had to ›were point-of-sale ›laints, with unitholders ›sting they had been sold ›vrong investment or did ›nderstand what they ›buying.

›ese people wanted a ›" investment, in many › providing a regular ›ne. The crash of October ›showed investors that ›trusts are not "safe" since ›s can fall as well as rise. ›y of the complaints on ›les arose from sales made ›e weeks before the crash. › Parsons will find himself ›ng to decide in many cases ›her the salesman did the ›xpected of him and if the ›idual understood what ›as buying. However, his ›rience as a Charity ›missioner dealing with ›icting viewpoints should › him in good stead.

› present, only 58 unit ›management groups are ›bers of the ombudsman ›ne. Complaints about unit › companies which are ›nembers will continue ›handled by the IMRO/ ›BRA referee and the ›ro complaints system, ›rsons will need to ›lish close links with › self-regulatory ›nisations.

›wever, there is still a ›r gap in the terms of ›ence of the unit trust ›dsman in that he cannot ›le complaints against ›endent advisers.

Eric Short

›rounds ›or trust

› MORE groups, TSB and ›e Star, are jumping on ›environmental ›wagon. Both are ›ching unit trusts which ›invest in companies ›erned with protecting and ›erving the environment. ›e TSB Environmental ›stor fund will invest ›ally in UK companies, ›nding later into foreign ›ties. All of the ›stments will be vetted by ›avid Bellamy, the ›nist and TV star, who will ›l an independent ›mittee making sure that › of the companies selected ›environmentally ›iendly."

›ere is a 6 per cent ›t-end charge and an ›al management charge ›5 per cent. The minimum ›stment is £500 and the ›will be launched at the ›of June.

›gle Star this week ›ched an Environmental ›ortunities trust which will ›st at least 80 per cent of ›nds in the UK and the ›in continental Europe. ›aim is to pick companies ›h are likely to benefit › greater awareness of ›ronmental issues. ›e group has highlighted ›panies such as Body Shop ›cosmetics chain), First ›nology (which ›ufactures fire prevention ›ucts), and Varta (the West ›nan producer of batteries) ›itable candidates for ›stment.

›e minimum initial ›stment is £1,000. There ›front-end charge of 6 per ›and an annual ›agement charge of 1.25 ›ent.

Sara Webb

Abbey National members have their free shares. **David Barchard** reports on the next step

Now it's time to decide on buying

IF YOU are an Abbey National member, mark next Thursday in your diary. It is the day that the offer price of shares in Abbey National PLC will be announced. You will probably not need too much reminding. On top of all the publicity that has surrounded the Abbey float already, a new advertising campaign costing £2m gets under way today.

More than 4m people have returned the forms Abbey sent out last month. These are necessary to receive the 100 free shares that each borrower and each saver can receive – 200 if you are both a saver and a borrower.

If you are a fully-qualified member, you cannot miss out on the free shares. However, you now have to think about whether you want to buy the extra shares which Abbey is offering only to its members.

These ought to be a very good buy. Abbey is a strong organisation and the shares are being made available to members at a heavy discount, so they ought to do better than the TSB shares have done in the three years since its flotation. Furthermore, Abbey is setting up a special dealing service that will enable members to sell their shares for bargain basement commission prices (£12 plus VAT for all deals up to £1,500), although the service will operate only until mid-October.

Naturally, the big question is what the offer price will be. Abbey says it will be between 120 and 160p per share but, with the housing market so depressed, it looks as if the price will be nearer the bottom end of this range rather than near the top, as was being predicted before Christmas.

The rise in the market as a whole since then might not help Abbey very much although it should make the shares very good value for those who chose to buy them as, if analysts' predictions are right, Abbey will perform well on the stock market in the medium and long term.

But John Wriglesworth, building societies' analyst at Phillips & Drew, says Abbey now faces a dilemma. It wants to raise around £1bn in new capital, but it can do this only if it reduces the offer price. He believes Abbey will be tempted to compromise and raise less cash than it intended originally – say, £900m.

The alternative strategy of holding the share price right down might anger members just at a time when Abbey is eager to make sure that they keep their deposits with the society.

If you decide to take up the new shares' offer, you will have to buy at least 100 – but there is no upper limit. Mini-prospectuses will go out to members next Friday. At that point, urgent action will be called-for unless you are to lose your right to buy the shares.

Along with each mini-prospectus, there will be a first class reply-paid envelope and a personalised application form. If you are both an Abbey saver and a borrower, you will once again receive two forms and be entitled to make two applications.

The advantage of this is that if you have ordered a large number of shares and the issue is over-subscribed, you will get more than you would from a single application. But it has to be said that the chances of the issue being heavily over-subscribed are not all that great.

There are two ways to lodge your application with Abbey – by mail or depositing it with a branch. If the former, you must get to the society by 10am on Thursday, June 29. Applications handed into branches must be lodged by 5pm on June 28.

Anyone tempted to make multiple or unauthorised applications, apart from their personalised entitlement, should be warned that Abbey intends to come down hard on any fraud it finds and is likely to prosecute. Its fraud-detecting systems are better than those of the privatisation floats, so the chances of detection are higher.

Early in July, on the first or second of the month, Abbey will announce details of share allocations and definitive share certificates, using the Stock Exchange's new Talisman system, should be on their way to members soon afterwards.

The grand climax will arrive on the morning of Wednesday, July 12, when dealing in the shares of Abbey National PLC will begin. About 3.5m people will have been added to the list of share-owners in the UK. They should find the process of becoming a shareholder less fearsome than it was in the past because of the improved documentation which has been evolved.

Applicants will be allowed to transfer their shares into joint names and to give them away to relatives if they wish. Payment for the shares can be made by direct debit from Abbey National accounts.

■ People holding shares in newly-floated building societies, such as the Abbey National, will be allowed to transfer them to tax-aided personal equity plans, Chancellor Nigel Lawson announced this week. The move is in line with Budget proposals to allow the transfer of new issues of shares, including privatisations, to PEPs.

ABBEY NATIONAL TIMETABLE

- ☐ June 15: Share price announcement.
- ☐ June 16: Mini-prospectuses sent to members, with application form to buy extra shares.
- ☐ June 28: Last date for application forms for extra shares to be handed into Abbey National branches by 5pm.
- ☐ June 29: Last date for postal applications to be received by 10am at latest.
- ☐ July 1-2: Details of share allocations announced.
- ☐ July 12: First stock market dealings start at 9am.

Survey shows few investors understand personal equity plans, says **John Edwards**

They're a mystery – but PEPs thrive

PERSONAL equity plans (PEPs) are still a mystery so far as most investors are concerned, according to a survey by Save & Prosper.

It showed that only one in eight private investors had a clear idea of what PEPs were and most did not appreciate the significant improvements to the scheme made in the Budget. But that hasn't stopped the flow of new PEPs being launched.

MIM Britannia, which has led the way with a series of plans emphasising the tax-free concessions (TaxAxe, Tax-Break etc), has now combined with other members of the same group, NEL Assurance and City & Provincial Home Loans, to come up with a PEP mortgage package named, rather obscurely, Threshold.

This comprises five different mortgages: conventional interest only, low start; zero 12; capped payment and capital drawdown. Permanent health insurance and building or contents insurance are offered as optional extras.

Repayment of all the mortgages is via the group's Tax-Axe scheme, which invests in the MIM Britannia Income and Growth unit trust.

In other words, you repay your mortgage by investing in a unit trust but with the PEP tax-free advantages which should make the fund grow faster and perform more effectively.

Obviously, though, there is a larger element of risk than with a conventional endowment policy, which has a guaranteed minimum sum and a wider spread of investment including property and fixed-interest securities.

Nevertheless, PEP mortgages are a great deal more flexible since you can withdraw surplus money at any time and are not locked-in for a lengthy period.

The progress of your investment in relation to how much you need to repay is reviewed every five years in case it needs topping-out or to see how much you can afford to take out.

Although dependent on the stock market, unit trust mortgages should be helped by lower charges. With the Threshold mortgage plan, you pay the standard unit trust charges and negotiate a fee with your financial adviser that is added onto the capital sum borrowed.

Albert E. Sharp, the Birmingham-based stockbroker, predicts that the greatest use of PEPs will be to provide tax-free income as a supplement to pensions in retirement. So, it has included among three new PEPs an income plan that allows you to draw out a fixed amount each month.

The firm will either simply divide the expected gross dividends by 12 and pay that out monthly or, alternatively, you can choose to draw out a percentage of the value of the portfolio, which might include some of the capital element as well.

The three PEPs offered by Sharp comprise a managed fund, where you make a single contribution (£2,400 or £4,800) or monthly contributions (minimum £100, maximum £400); and the own choice fund, with a single contribution of £4,800, where you can select your own shares.

They are not cheap. For the own choice fund, you pay an initial charge of £50 and an annual charge equal to 1 per cent of the value of the fund, plus normal dealing costs. This is an expensive way to buy shares.

The managed fund is not much better. With the single contribution plan, you pay £50 initially, 0.75 per cent a year and dealing costs of 1 per cent of the value of the stock.

The charges are the same for the monthly contribution except that you pay £5 a month instead of the £50 initial charge.

Lincoln stockbroker Hill Osborne offers a rather better deal. For its PEPs – either managed, advisory or choose your own shares – there is no initial charge.

Dealing costs are 1.65 per cent (but with a low minimum of £20) and the annual management fee is 1.25 per cent.

Among the findings in Save & Prosper's survey was the view of brokers that investors should be given the chance to put the fullest possible amount into PEPs. That is £3,000 in the old-style PEPs (available this year only) and £4,800 in the 1989-90 new-style plans.

As a result, S&P has decided to defer launching its new-style PEP until October. It points out that with the old-style plans, you receive gross interest on cash deposits.

These are now paying 11.8 per cent gross, which compares very favourably with the 9.75 per cent net paid to standard-rate taxpayers on its high-interest money market account and provides an even better deal for high-rate taxpayers.

An initial charge of 1.5 per cent is made, but this also covers the transfer of the cash into shares or unit trusts when the fund is converted into a new-style PEP in October.

Anthony Casswell on minimising marital bills

A guide to saving

INDEPENDENT TAXATION FOR MARRIED COUPLES

WHEN independent taxation for married couples starts next April, some advantages may arise automatically. But you will probably have to re-organise your finances if you want to minimise your marital tax bills.

The case history of Colonel and Mrs Arthur, shown in the table below, illustrates how you can work out your combined net incomes after tax: first, under the existing tax system and ownership of assets; second, if independent taxation was available already; and, finally, under independent taxation and after the transfer of assets to reduce tax. Tax allowances and thresholds for 1989/90 have been used.

The Arthurs are both 72 years old. After a career in the armed services the colonel was employed by a company, but then he and his wife started their own business.

With a cautious outlook (and slightly burnt fingers), they decide to keep only a quarter of their investments in equities and about two-thirds of their cash in building society and bank accounts where it is benefiting from the present high interest rates.

Columns A and B show that, this year, the colonel will be taxed on combined income, except for the £340 of pension attributable to Mrs Arthur's earnings. Their combined net income after tax will be £16,029.

Columns C and D show the automatic effect of independent taxation. Mrs Arthur will be taxed on her own income, including her NI pension, and she will enjoy the single age allowance.

Colonel Arthur's income of £14,100 exceeds the £13,420 marginal limit above which age allowances cease to provide any benefit. Even so, independent taxation will increase their combined net income to £16,794, an improvement of £765.

Can they do better?

Columns E and F show that by transferring £25,000 in building societies, the colonel's income drops below the age allowance income limit of £11,400, entitling him to single and married couple's age allowances.

As a result, their combined net income will increase by a further £265 – a modest saving, admittedly, but not to be sniffed-at by hard-up pensioners.

A similar result could be achieved if, instead of retaining £5,000 in building societies in his own name, the colonel transferred £20,000 to his wife and put his remaining £10,000 into joint names.

INDEPENDENT TAXATION FOR MARRIED COUPLES
Colonel & Mrs Arthur (both aged 72)

Calculated under tax system: Marital Capital situation Income from assets owned by	Existing as now Husband A £	Existing as now Wife B £	Independent as now Husband C £	Independent as now Wife D £	Taxation after action Husband E £	Taxation after action Wife F £
Sources of income						
National insurance Pension	2,400	1,360	2,400	1,360	2,400	1,360
Other Pensions	8,000	340	8,000	340	8,000	340
Stocks, Shares, Gilts, etc Husband £3,000, Wife £24,000	100	1,600	100	1,600	100	1,600
Building Societies/Banks: (grossed up to 12 per cent): Husband £30,000, Wife £20,000	3,600	2,400	3,600	2,400	–	–
After Action: Husband £ 5,000, Wife £45,000	–	–	–	–	600	5,400
Total income	14,100	5,700	14,100	5,700	11,100	8,700
Total including wife's income	19,800	–	–	–	–	–
Wife's Earnings Allowance	340	–	–	–	–	–
Single or Age Allowance	2,785	–	2,785	3,400	3,400	3,400
Married Couple's Allowance	1,590	–	1,590	–	1,985	–
Total Allowances	4,715	–	4,375	3,400	5,385	3,400
Total for income tax	15,085	–	9,725	2,300	5,715	5,300
Income tax at 25 percent	3,771	–	2,431	575	1,429	1,325
Net income after tax	16,029	–	11,669	5,125	9,671	7,375
Combined net income after tax	16,029		16,794		17,046	
Improvement	–		+765		+further 265	

FINANCE & THE FAMILY

Giving the power of attorney

I HAVE given power of attorney to two individuals because of my age and infirmity. I assumed it would come into operation (for the stock market) only if I became mentally unable to deal with stocks and shares myself, which is not the case now.

They have asked me for details of my portfolio, which seems to imply that they think they can deal independently of me on the stock market, on my behalf. Could they, in fact, do this lawfully without consulting me? I should be reluctant to agree to this as they lack experience of the stock market, on which my income depends almost entirely.

■ Without details of the actual terms of the power of attorney, we cannot say whether it is revocable or how wide its ambit is. It would, however, seem likely that the attorneys would have power to deal on the stock market independently of you – that would be one of the main objects.

Pension is free of tax

I understand there are circumstances in which a pension from an occupational scheme received as a result of the member's incapacity (physical or mental) to perform his/her duties may be wholly free of income tax. What circumstances make an invalid's pension not assessable for tax?

■ By virtue of extrastatutory concession A62, a pension awarded solely on account of retirement through disability caused by injury on duty or by a work-related illness is not treated as income for tax purposes. The free booklet of extrastatutory concessions, IR1 (1988), is obtainable from tax inspectors' offices.

Mortgage interest

My son-in-law runs a one-man business as a self-employed person and uses a room in his (only) house partly as an office, where my daughter and he do the administrative work.

We are anxious to find out if a claim for a small proportion of mortgage interest should be allowed, along with the other expenses involved in using the room partly as an office. Mortgage interest here seems exactly equivalent to "rent" which is apparently allowable according to paragraph 37 of tax booklet IR28 (1985).

Two possibilities present themselves, and are perhaps best illustrated by an example. Suppose the mortgage is £40,000 and the gross interest £4,800. The tax relief given for the interest on the first £30,000 would be on £3,600, i.e. £900 at 25 per cent.

The first possibility would be to claim a proportion (one-sixth in this case) of the interest less the tax relief, i.e. £4,800 less £900 = (1/6th = £650). The second would be the proportion of the interest on that part of the mortgage on which no tax relief is allowable, i.e. £4,800 x £10,000/£40,000 = £1,200 (1/6th = £200), clearly a less favourable proposition but, nevertheless, better than nothing.

In a telephone call to a local tax office, a young lady in the Schedule D department said such a claim would be allowed, but this hardly constitutes an authoritative opinion.

■ A free booklet on the tax treatment of interest paid (IR11) is obtainable from tax inspectors' offices; bear in mind, however, that some aspects of the law have changed since it was printed. Presumably, your son-in-law has read the free booklet IR28 – Starting in Business.

You say that your daughter helps with the administrative work, and yet you say that your son-in-law runs a one-man business: do you mean that your son-in-law employs your daughter, rather than having her as his partner in the business? This point is not directly relevant to your question but your daughter's status is worth reconsidering. Your son-in-law might well find it worthwhile to engage the services of an accountant, for tax advice as well as for the preparation of accounts.

The case I deduction for the mortgage interest might be as follows: 1/6th of the gross interest £800; less amount on which tax relief has been given by MIRAS £600; case I deduction £200. It is not possible to get tax relief twice for mortgage interest, which is what your "first possibility" amounts to.

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Tax bill for unit trusts

Last Christmas my nephew, wanting freedom to make some changes in his life, asked me if I would be prepared to make him a substantial loan to facilitate a bridging operation proposal. I had available a unit trust holding worth £100,000 and, since it was quite possible the cash would not be needed, I did not sell the units (which would have incurred CGT) but merely transferred them into his name so that he could use them as security.

Now, the need for the loan is over. The units were not cashed (apart from a handful to cover a fee) and my nephew wants to return them to me. However, in the meantime, the recent Budget changed the CGT rules and the units apparently cannot be re-registered in my name without paying the CGT which would arise on a disposal.

Since I acquired the units before 1982, and they have done well, this would mean giving up some £30,000 to the Chancellor – which would not otherwise have been necessary until my death. Is there any way my nephew can repay the loan without one of us paying the CGT?

■ Did you make a gift of the units to your nephew? Or did you merely transfer them into his name as your nominee, retaining full beneficial ownership? What did you each report to your respective tax inspectors, for example? It might be worthwhile to have the precise nature of the transaction looked at by a local solicitor.

If you did indeed make a gift, and a joint gift holdover claim was made to your tax inspector, then your nephew cannot escape the CGT bill upon his making a gift of units back to you (in addition to the CGT bill, if any, arising from the sale of the handful of units).

If the transfer was tantamount to a loan of the cash value of the units, then the transfer last Christmas produced a CGT bill for you. In that case, of course, the potential CGT bill for your nephew will relate only to the increase in value since the date of the transfer (to the extent that the increase in value has outpaced the RPI).

As you will see, everything depends upon more facts than you have given us. Indeed, you and your nephew may well not have stopped to consider fully the nature of the transaction last Christmas – hence our suggestion that you consult a solicitor, jointly or separately as seems appropriate.

Christine Stopp wonders where the unit trust investor should turn if sterling tumbles

A sector where choice is crucial

PROSPECTS in the UK are worrying for investors at the moment with the pound looking vulnerable and the dollar surging ahead. In a period of uncertainty, when sterling seems likely to fall, where should the unit trust investor turn?

The classic solution is to go for a spread – in other words, an international fund. In theory, the international fund manager should get the best of all worlds by being overweight at the right time in the best performing markets.

In practice, such funds have been disappointing over the long term, outperforming only the dismal North American sector among single overseas markets. Over 15 years, the international fund sector average has lagged behind both the UK and Japan averages.

There is a similar underperformance if one compares sector averages over shorter periods of time, but the picture is different among the top funds. Over one year to June 1, the top international fund was Merlin International Growth with a 54.7 per cent gain. The top UK General fund was Citicorp SV Model Portfolio, which increased by 31.9 per cent.

INTERNATIONAL vs. SINGLE MARKET FUNDS
(Results of £1000 invested, offer-to-bid, over periods to 1.4.89. Median fund for each sector)

Sector	5 years	10 years	15 years
International	1648	4038	6406
UK General	2265	5264	11701
North America	1372	3124	3998
Europe	2253	5451	6684
Japan	2533	8852	14592

Source: UTA

Among the international growth funds, Capability Glenfriars was up by 144.5 per cent over three years, and Bishopsgate Progressive rose by 284.4 per cent over five years. By comparison, M & G Midland (which was top UK General trust over both these periods) increased by 93.4 per cent over three years and 302.4 per cent over five years.

The very top international funds, then, have a good record, but choice in this sector is obviously crucial. Morgan Grenfell International Growth has been in the sector's top quartile for most of its life. Tony Fraher, managing director, says the fund is not run on a world market weighting basis, but has taken an aggressive stance, particularly over the Japanese market, and may change weightings substantially in a short time.

Fraher believes that over-reliance on following market weightings and a sheer lack of management resources often account for poor performance among funds in the international sector. He thinks that only the smaller and inexperienced investor should rely on international funds whereas others should go for single market funds.

Peter Tonkin, of Towry Law, is currently advising investors to avoid general international funds. "If there is such a beast as an international market, it is dominated by the US and Japan, so most international funds are obliged to have a high weighting in these two. In the past, strong Japanese performance has been cancelled out by US weakness, leading the fund to perform badly." During May, international funds showed the second best sector average, at 4.8 per cent growth for the month, no doubt due to their high US weighting, which benefited from the strength of the dollar. US funds for the month averaged 11 per cent growth.

Tonkin calculates that someone who had put half his money into the US and half into Japan over five years would have done slightly better than the average international fund. The international sector, which is supposed to have defensive qualities, did not even outperform during the crash, he says, adding that it is questionable "whether there is a lot of management on international funds".

Towry Law thinks that UK investors stand to gain in the long term from sterling weakness against other world currencies, but Peter Tonkin feels most investors should keep fairly high weightings in the UK. Trying to second guess currency movements is dangerous, and not to be undertaken through a long-term investment such as a unit trust.

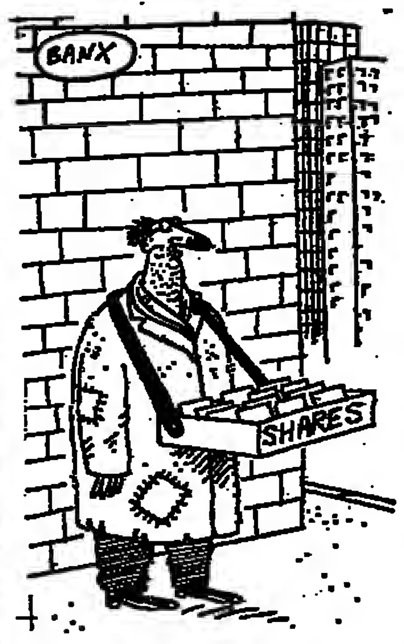
Tony Fraher feels that currency games should not even be played by the fund managers and he is against hedging on a fund to minimise currency risk. Hedging has always had a bad name among UK fund managers, and Fraher says he "simply can find no evidence that it works". In any case, like most people at present, he is expecting sterling weakness in the immediate future. He would advise the UK customer to keep at least 50 per cent of his assets in Britain while the investor with an international perspective should be considering only 25 per cent or so.

In spite of the fact that likely currency movements appear to offer an opportunity, the message seems to be that the smaller investor should not increase his overseas exposure in the hope of a fast gain, and certainly not through an international fund, which may perform worse than most individual markets.

There are alternatives. Offshore managed currency funds or single currency deposit funds allow the investor to gain from pure currency exposure, though very dramatic gains are unlikely. An alternative to the unit trust international fund is an investment trust. Many large general trusts have considerable overseas exposure and the investment trust tradition of sophisticated use of currency instruments has helped to produce a sector average growth which compares very favourably with unit trusts.

Nick Fielding on plans to shake-up charities

Custodian's sentence



THE WAY in which charities invest their funds in future is likely to undergo a big shake-up following proposals put forward in the recent white paper, "Charities: A Framework for the Future."

Currently, the Official Custodian is responsible for holding investments worth some £1.25bn in trust for charities. This little-known department of the Charity Commission holds about 40,000 charity accounts with investments in shares, dated and undated stock. They range from those with an income of up to £4m a year to others worth only a few pence.

The Official Custodian sends the income from investments to charity trustees without deducting recoverable tax, and buys and sells investments on the instructions of charity trustees – although it does not make investment decisions. It can even allow transactions to be carried out by agents in its name. No charge is made for any of these services.

However, in future it will be divested of its investment function. Sir Phillip Woodfield's charities report, which was presented to the Government two years ago, recommended that the 85-strong department should be abolished and that charity trustees should be encouraged to take direct responsibility for their investments.

It will take about five years for the investments to be divested – in the case of shares, stock by stock – once the legislation has been passed.

For the tens of thousands of charity trustees, particularly of the smaller charities, life is going to become much more complicated. Investments will have to be re-registered every time a trustee is changed and tax relief will no longer be automatic. Instead, individual applications will have to be made to the Inland Revenue.

The larger charities, most of which have investment advisers or brokers, should be better off in the long run. There are about 6,000 which deal actively on the stock exchange, and just over half have their own brokers. In the short-term, as their investments are returned stock by stock, they will be in the awkward position of having some investments under their own control and others still with the Official Custodian.

The majority of charities have small investments – 86 per cent receive an annual dividend of £1,000 or less and 32 per cent receive less than £10. This is why accountants Touche Ross were unable to find a way for the Official Custodian's office to charge for its services. The only way it would have been feasible was if the larger charities paid an unacceptably high subsidy.

The larger charities will be divested first, over a period of two years. Next, the 13,500 charities with holdings of undated fixed interest securities – once a popular form of investment with charities, but now not recommended – will be divested. The intention is to sell all these holdings (some of which have been held for over 100 years and have declined dramatically in value) in one batch and give the money back. The average cash value is about £250.

A further 10,000 charities hold dated fixed interest securities, which together are worth tens of millions of pounds. The Official Custodian's office will recommend that charities liquidate these holdings and invest them in one of the charity common investment funds, although this will not be compulsory.

Dick Crick, the Official Custodian, estimates that there could be up to 1,000 charities of which no trace can be found. He says: "We already have teams doing searches, but we expect some to elude us." In such cases, the funds will be redirected into existing charities with similar purposes. None of the measures proposed should affect share prices.

In future, the cost of administering investments will rise for charities and the already difficult task of finding voluntary trustees to take on the extra work and responsibility will become more of a problem. As a result, the nominee services offered by many brokers are likely to be in greater demand.

But eventually, in five or six years' time, charity investments should be on a better footing. Numerous moribund charities will have disappeared and their assets transferred to others that can make use of them. Those that once held low performing undated securities will be able to invest in more lucrative areas, and charity trustees – at least those that can afford the time and energy – will be better placed to exercise direct control.

MINDING YOUR OWN BUSINESS

A model way to make a living

Small is beautiful but expensive in the modern model industry where a railway lay-out or a flying model helicopter can cost thousands of pounds. It is a booming business sector. But enthusiasts who open model shops tend to fail too often because they lack management skills, says Roy Hodson

A VETERAN aero-modeller of 55 was talking in tones of reverence about a 13-year-old schoolboy in his club. "What a wonderful helicopter pilot he is," the man said.

"Surely," I said, "you don't see flying a model helicopter by radio control as actually being a pilot." He looked at me more in sorrow than anger. "Flying a model helicopter is much harder than flying the real thing . . . You are standing outside the model and have to translate all its movements as if you were inside and behind the controls."

Models are a world of their own although, judging by prices, it is not much of a place for children unless their parents are generous providers. But it is a world where skill and dexterity is the universal passport regardless of age, and where dukes are prepared to sit at the feet of dustmen in order to learn about flying planes, racing cars, or building trains and boats.

Trade has never been better for the model industry. People have more leisure time to devote to hobbies and more disposable income to indulge themselves.

Enthusiasts who see an opportunity to make a living from their hobby have been opening new model shops around Britain at a spanking rate during the past few years. There are more than 600 shops now catering solely for modelmakers (not including the thousands more shops that sell model kits along with other wares). The total business in models, kits, materials, paint and accessories is difficult to assess but it exceeds £40m a year comfortably.

There would be more shops if it were not for the sad fact that many of them do not last long. There is a heavy casualty rate among many aspiring model shop entrepreneurs who, in their early years of trading, discover they are better modellers than business people.

The business in Britain suffers from being a haven for the cottage operator. The great proportion of the action is in the hands of small business people trying to ensure the survival of their retail shops, or trying to make a living at the manufacturing end of the trade by making specialised components for modellers in home workshops.

The railway modelling side is served by a complex network of small manufacturers and importers, many of whom now rely heavily upon mail orders for their sales. Indeed, the true specialist railway or ship model shop has become something of a rarity.

Most new shops specialise in the aero-modelling sector. And the big new cash sales there are coming from flying helicopters – at anything up to £2,000 for a machine and its radio-control equipment.

Jim Perkins, whose own preference is for flying fixed-wing model aircraft, started selling modelling equipment from his garage 20 years ago as a sideline. He prospered and his business, J. Perkins Distribution, based in Greenwich, south-east London, is now one of five big distributors in the British modelling trade.

Helicopters have added 10 per cent to his business since reliable flying models came on the market a few years ago and began to be sold in quantity. But he thinks a newcomer to the trade needs "at least £25,000 and preferably £50,000" to open and stock a model shop. Most small business hopefuls try to do it on less.

Modellers are "lazy shoppers," I was told by a veteran in the trade. They prefer to deal with one shop, the owner of which they know personally and to whom they can turn for advice and guidance. Thus, the wise shop-owner often seeks a site away from the local high street at a correspondingly cheaper rental. He knows that if he can offer the right service, he will build up a faithful clientele.

There is hardly sufficient fat in the trade, anyway, for the small shop-keeper to splash out on lavish premises in the most fashionable part of town. The usual retailing margin is about a 38 per cent mark-up on the price paid to the wholesaler. Accessories may provide a more generous mark-up of 50 per cent.

At such mark-ups, the retailer cannot easily discount to win business from model shops in other areas of the country by mail order advertising. But, of course, some try and fail. That is one reason for the brisk turnover in model shops.

Location is the most important factor when considering opening a model shop. The interest in modelling is not uniform across the country. Particularly good areas are those where there are numbers of affluent retired people who can afford to pay for their pastime, and industrial towns where there has been a long tradition of skilled working and manual dexterity.

Nancy, John and Malcolm Burnage in their model shop at Didcot

Photos: Tony Andrews

On the right track

WHEN THE Burnage family (Nancy, John and son Malcolm, 29) decided to open a model shop last year and went to see the manager of Barclays Bank in Didcot, Berkshire, about funding, they found a sympathetic listener. Andy MacMillan, 41, is a life-long model railway enthusiast who will spend a year or more building a model locomotive from bought-in pieces and parts he makes himself. He has a 16ft by 10ft track layout in his double garage.

So it was that the Burnages found their start-up problems eased with a £6,000 Barclays business loan when they took a short lease on a small Didcot shop. After their first year's trading, they are planning to move into another shop with its own front window.

They have taken £20,000 in the year and have ploughed it all back into stock and equipment. Malcolm, who has to work part-time as a mechanic to cover his living expenses, has identified three promising markets in the model business: radio-controlled aircraft, dolls' houses and craft materials.

People who build dolls' houses are quite prepared to pay £4.85 for individual tiny light fittings, and much more for house wiring kits and pieces of furniture. As well as materials, customers assemble extensive collections of miniature tools for their modelling, including drills, lathes, routers and sanders.

The most uninhibited spenders are the flyers. A glider kit can cost up to £500 when it comes complete with a sophisticated radio-control unit. The glider will demand months of patience to build, though.

In contrast, the new helicopters can be put together in just a few hours; Malcolm Burnage has models in his shop at £700. He decided to emphasise that particular product after noticing at the recent Sandown Park model show that a large part of the exhibition was devoted to helicopters.

In their second year in the model business, the Burnages intend to add selected ranges of model railway equipment to their basic lines. It will be years rather than months before the business provides livings for all three but they believe the Didcot district can eventually support a model shop doing many times the trade they achieved in their first year.

□ *Didcot Model and Craft Centre, 80 Lower Broadway, Didcot, Berks (tel. 0235-817-532).*

Andy MacMillan: bank manager with a passion for model trains

There's money in Meccano

MECCANO, the modelling medium which formed character and helped to make Britain great, is still thriving although sets are made these days in a French factory. And prices have gone up: that top-of-the-range Number Ten set in its varnished cabinet – the unattainable ambition of so many small boys – now costs £999.99.

But from a tiny shop in Henley-on-Thames, Geoff Wright, the proprietor of Everything Meccano, is turning over more than £100,000 a year selling old Meccano parts world-wide.

Nearly 20 years ago, when he opened a model shop, he discovered that almost every Meccano set passed down through a family from generation to generation was short of a few pieces. "No one else was bothering to supply spares so I did," he says.

As Meccano is a durable product that doesn't often get thrown away, and is not damaged easily, he advertised for old sets and started to make some parts himself. He also began to cater for "vintage" Meccano enthusiasts who were determined to have parts in their original colours.

In the 1920s, Meccano sets were in red and green. They changed for a while to blue and gold in the 1930s but reverted post-war to red and green. Blue and yellow are the favourite shades for modern Meccano.

Wright's business moved on to an altogether higher plane in 1979 after Meccano production ended in Britain. He bid for the remnants of the business, 10 tonnes of parts "at knock-down prices," and stored them in bins at Henley.

His staff of six part-timers is now kept busy dispatching orders around the world for strips, plates, wheels, nuts and bolts. He says the trade in small items has been made possible because he can secure payments by taking customers' credit card numbers by letter, telephone or fax. "The majority of my customers build an enormous range of Meccano by adding to their collections bit - by - bit."

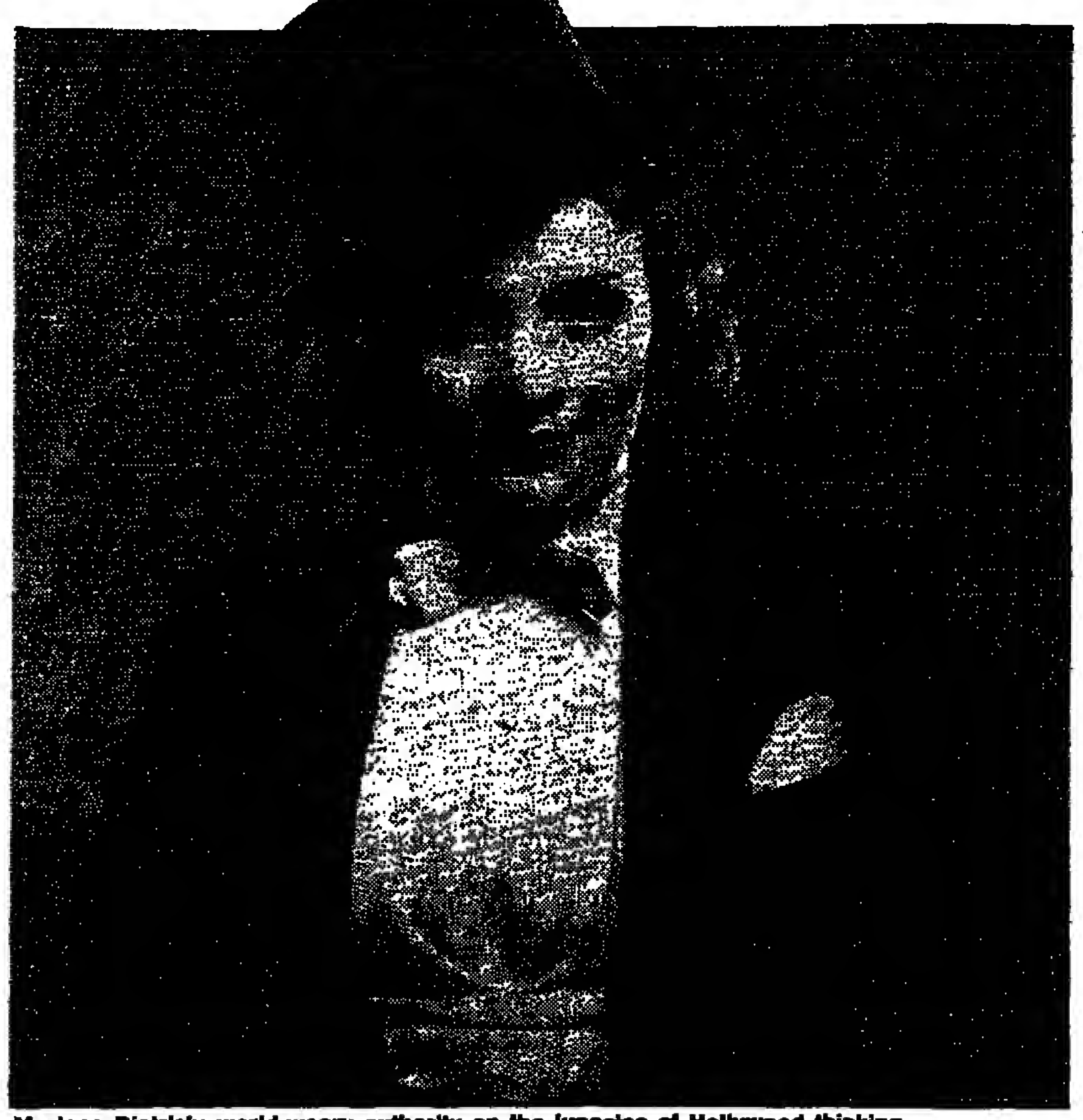
Wright says the demand for Meccano parts is growing. There was consternation recently among buffs when new sets from the factory began to be supplied with machine screws to be tightened by the Allen Key method, instead of the traditional screws with slotted heads for screwdrivers. Wright was able to reassure them through his newsletter. He has hundreds of thousands of the traditional screws in stock.

He has also assembled a collection of Meccano memorabilia. A facsimile of a 1930s' Meccano Magazine can be bought for £1. An original 1924 magazine, list price twopence, will cost you £8.

□ *Everything Meccano, 4 Greys Road, Henley-on-Thames, Oxon RG9 1RY (tel. 0491-572-436).*

Geoff Wright in his Meccano shop, from which he sells parts world-wide

BOOKS



Marlene Dietrich: world-weary authority on the lunacies of Hollywood thinking

Sugar and spice

Nigel Andrews on two very different screen stars

STARS NEVER have an easy time painting their own portraits. One look in the mirror at that blaze of charisma and they are rendered nearly sightless: a condition that expresses itself in either undue modesty or undue immodesty. In the first case, they "can't see what all the fuss was about" in their careers, though they are suitably grateful for it. In the second, only they could see from the beginning the plain clear light of their own genius.

Marlene Dietrich and Shirley Temple have now penned their memoirs and – *mirabile dictu!* – both books illustrate our point. Neither does so, however, without a struggle. On the surface Dietrich goes for the modesty option, with a blazing vanity just beneath. Temple is full of her own achievements and glowing notices, but pauses to credit others along the way. (Chiefly her career-pushing mother, who makes Mrs Worthington seem a shrinking violet.)

Dietrich's *My Life* is written in the actress's unmistakable voice: smoky, world-weary, one that suffers fools badly if at all. Just as her talent on stage or screen is for disowning overt emotion, her talent here is for disowning the trappings of celebrity: "I was always indifferent to the glitter of fame" . . . "The roles I have played in films have nothing to do with what I am."

We are suspicious of these protestations. But we play along. Dietrich is an authority, after all, on the higher lunacies of Hollywood thinking. Witness her first experience of them: the Paramount envoy who forbade her to disembark in America in her "casual" boat clothes. She had to go down to fish a black dress and mink coat out of her trunk. Only then could Filmdom's newest import be allowed to face the flashbulbs and enter the world of fame.

And a preposterous world that was, according to our author. Cosseted by the studios, Pygmalionised by Von Sternberg, paid thousands of dollars a week, forced into professional intimacy with the likes of James Stewart ("his sense of humour was poorly developed"), Bruce Cabot ("an awfully stupid actor") or Fritz Lang ("the director I detested most"): no wonder Miss D. found the going tough.

No wonder she was happier later, tramping the World War Two battle zones. Here she met General Patton ("he knew that I was needed on the front") and helped to liberate Berlin ("We pushed into Germany. . . ")

But this idyll was short-lived. After the war, "I went back to performing in order to earn money . . . somehow, one way or another, I managed to get through it." Ah yes. The trials of fame, the wages of celebrity.

But even Dietrich's self-deceits have a glamour. This is an odd, riveting book. Between disowning her own ambition and the talent of most of her co-workers, Dietrich also manages some salvoes of enthusiasm. She is wonderful, for instance, on details of lighting and make-up. (It is news to me that her "blonde" hair in movies was the result of sprinkling a powder on naturally brown hair). And she is eloquently loyal to certain friends: "Papa" Hemingway, Richard Burton, above all Mr Megalomania himself, Josef Von Sternberg.

Indeed with Sternberg the book's peculiar, piquant contradictions of tone – between the dismissive and the devotionally grateful – come to a head. "I thought *The Blue Angel* would be a flop. I found it very ordinary and vulgar," she writes. Ordinary and vulgar? Well, *chacun à son goût*.

MY LIFE
by Marlene Dietrich
Weidenfeld & Nicolson £14.95, 525 pages

CHILD STAR
by Shirley Temple Black
Headline £14.95, 525 pages

But wait – didn't she just write a few pages back that Sternberg was "creator, Lord of Light, an incomparable technician"? Ah well: you pays your money and you sorts out Miss Dietrich's tangled thoughts for yourself.

Reading Shirley Temple's *Child Star* after *My Life* is like moving from the caviar course to the ice cream. The dimpled infant star – later a housewife and politician – has decided that 525 brisk, eventful pages just about do justice to her talent. (I preferred Dietrich's svelte, slow 235 pages.) On the way, we giggle at her punning early film titles (*The Runt Page, What Price Gloria*); we gasp at the swift conferring of stardom on a six-year-old tot; we sit with her on J. Edgar Hoover's lap; we sing The Good Ship Lollipop; we sing it again (and again); we go to battle with Graham Greene over his famous libel-provoking review of *Captain January*. And finally we grow up, marry and become US Ambassador to Ghana, Chief of Protocol and other high offices.

All this and we are none the wiser as to who the real Shirley Temple is at the end. Miss T. has no time – good for her – for false self-deprecation: "Only an idiot could have lived in the glare of such a central spotlight and been unaware of her prominence." But she has no time either, it seems, for digging under the glamour and letting us see the anguish or introspection.

Warriors of peace

Anthony McDermott on the UN's front-line troops

UN PEACEKEEPING forces won the Nobel Peace Prize last year – one of the saner choices for a decade or so. These two books are thus timely, although conceived long before the Nobel accolade was awarded. They contain the comprehensive views of a soldier and a diplomat.

Lt-Col Mackinlay of the Ghurkas was given time off by the Ministry of Defence at Cambridge University for research. He had also practical experience in peacekeeping, having served in the non-UN Multinational Force and Observers (MFO) in Sinai between 1983 and 1985. He is currently working on a PhD at King's College London – the topic: peacekeeping.

Skogmo is deputy director-general of policy planning at the Norwegian Foreign Ministry. His book reflects experience gained at the UN between 1979 and 1984. During this period he took part, as a Norwegian diplomat, in the consultations among the nations contributing troops to the UN Interim Force in Lebanon.

There are currently nine UN peacekeeping and peace-observation operations round the world – stretching from the Middle East, to Namibia and Kashmir. It is no surprise that most of the more sensitive are involved in monitoring the effects of war and tensions in the Middle East.

From both these books it is apparent that peacekeeping is a thankless and dangerous task. In southern Lebanon, where many hostile factions operate – the Israelis and their cat's-paw, the South Lebanon Army, Shi'ite groups and Palestinians, to name a few – Unifil has been shot at, literally and verbally, from every side. Unifil is there doing a job on the basis of an inadequate mandate produced by the UN Security Council in record time.

Within this context, the issue is raised as to whether UN multi-national forces are, or should be, involved in peacemaking rather than peacekeeping. And the UN operation in the Congo in the 1960s, where the forces were caught in a civil war (as later in Lebanon) and came across other parties, but with the Lebanese government in supine chaos, Unifil had no choice but to rely on Israel (or friend of Unifil) for basic supplies and hospital beds in the event of casualties.

THE PEACEKEEPERS: AN ASSESSMENT OF PEACEKEEPING OPERATIONS AT THE ARAB-ISRAEL INTERFACE
by John Mackinlay
Unwin Hyman £25.00, 239 pages

UNIFIL: INTERNATIONAL PEACEKEEPING IN LEBANON 1978-1988
by Bjoern Skogmo
Lynne Rienner, Boulder, Colorado $28.50, 279 pages

UN multi-national forces are, or should be, involved in peacemaking rather than peacekeeping. And the UN operation in the Congo in the 1960s, where the forces were caught in a civil war (as later in Lebanon) and came across as being an aggressive element, has left its mark. Unifil, as a result, has been subject to considerable constraints on the extent to which it can use force in the face of harassment.

Lt-Col Mackinlay, a clear Hannibal fan, looks at four forces: Undof, the carefully-worded UN Disengagement Observer Force, on the Golan Heights between Syria and Israel; Unifil; and two non-UN bodies, the MFO in Sinai and the ill-fated Multinational Force based in Beirut between 1982 and 1984.

Broadly he reckons Undof and the MFO to have been successes, not least because the antagonists were – however grudgingly – agreed on the need for a mechanism which could act as an umpire and underwriter of a peace agreement or truce already agreed on, between Egypt and Israel on the one hand, and Syria and Israel, the best of enemies, on the other.

It is easy to be critical of Unifil. Both authors make clear the practical problems of rapidly setting up a force, currently of about 6,000 men drawn from nine nations, with the West providing the bulk. Unifil, contrary to many assertions, could in no way have been able to resist Israel's massive invasion of *Lebanon* in 1982. Yet some, mainly Arab critics, hold this against Unifil.

Skogmo's concentration is on Unifil itself. He presents some intriguing cameos, for example, of how the attitude of the Soviet Union towards Unifil has changed, of Israel's instinctive hostility towards any UN role, and of the machinations of France coloured by its historical links with Lebanon.

However, the most interesting part is his account of the diplomatic politicking in New York to set up and supervise Unifil's operations.

At the same time Lt-Col Mackinlay gives his own professional insight into the logistics of a UN force. For example, it may have seemed biased to other parties, but with the Lebanese government in supine chaos, Unifil had no choice but to rely on Israel (or friend of Unifil) for basic supplies and hospital beds in the event of casualties.

In addition, the commanders in the field had to make decisions which the politicians and their diplomats at the UN in New York and in the capitals of the troop-contributing countries found hard to like. For in the front-line are often young soldiers and commanders, trained to be aggressive professionals, who have to conduct a diplomatic exercise with ramifications way beyond events in Lebanon.

Both the soldier and the diplomat in their different and thoughtful ways have shed light on the problems of the UN in the specialist area of peacekeeping as the UN tries to pick up in Lebanon the pieces of international politics that governments would rather wish out of sight. After more than ten years, Unifil has turned out to be anything but "interim" and a job nobody else wanted to take on.

George Steiner

Art for art's sake

REAL PRESENCES
by George Steiner
Faber & Faber £12.99, 236 pages

GEORGE STEINER writes – even about the most abstruse matters – adversarially. He pleads; he strains every sinew to make his points, plundering the entire corpus of literature, music and the visual arts for evidence. The reader is invited not so much to engage with Steiner intellectually, disputing this or that part of the argument, but to sit back as a member of a silent, somewhat brow-beaten jury, and ponder the mass of depositions. Eventually, after several hours on his feet without adjournment, Steiner sits down and rests his case. The reader must decide then whether or not Steiner has secured a conviction.

In *Real Presences* there are a very large number of defendants. All of them have theorised or made assumptions about the peculiar kind of experience we have when we read a novel, watch a play, listen to music. Some of these assumptions are those of such petty criminals as book-reviewers, doing their best to interpret and assess new works; others are come from such hardened recidivists as deconstructionist theorists, positivist philosophers, clinical psychologists, structuralist critics, exponents of linguistics . . .

All these groups are allegedly guilty in various ways of devaluing the art-experience on which they depend, either directly or indirectly, for their existence. The blanket crime of which they are collectively guilty, in Steiner's eyes is that of "the subversion and dissemination of the *Logos*."

The various activities and theories which have caused this devaluation since the start of the modern period, dated here from the time when Rimbaud said "*Je suis un autre*," are traced in the earlier parts of the book with dazzling all-inclusiveness. Steiner produces an endless series of correspondences between the arts and across the centuries. As a writer he is a citizen of the world; one who has mastered the jargon of many different intellectual disciplines and who arrogates the right to call up evidence at any time in any language from any part of the globe where the creative spirit has flourished. He is not professor of comparative literature at the university of Geneva for nothing.

Among much that is opaque and difficult there is also much that is eye-opening, mind-stretching, enlightening and exhilarating. His main charge may perhaps be summarised as follows: all the defendants have turned art in on itself. He has an eloquent passage on the perils of Narcissism. He regards as an especially serious allegation the view that the art-work or text is a mere pre-text for criticism, that it has no real existence "out there."

It is in the final peroration that Steiner turns from the indictment to positive advocacy. His own view, stated with majestic confidence, is that art enables us to rise above our mortal state; it is an experience of transcendence, of the Other. On the book's jacket there is a detail from Georges de la Tour's painting, "St Joseph the Carpenter" in which the light from a candle shines through a child's fingers as they shade the flame. There we have a visual metaphor of the way for Steiner art operates: the flame of immortality perceived through the flesh.

It is a traditional view, one with which in respect of poetry, Sidney, Shakespeare, Shelley, Coleridge, T.S. Eliot and Auden, would have no quarrel whatsoever. It is an attempt to reactivate an old law that has been on the statute book for many centuries. What is interesting is the urgency with which the enforcement is proposed.

Anthony Curtis

The death of a Pope

A THIEF IN THE NIGHT: THE DEATH OF *POPE JOHN PAUL I*
by John Cornwell
Viking £14.95, 317 pages

THE SECRET WORLD OF OPUS DEI
by Michael Walsh
Grafton £14.95, 219 pages

Pope John Paul I: a sad, simple figure

ALBINO LUCIANI was virtually unknown until one August he travelled from his Venice home to Rome. A few days later he emerged as John Paul I, "the smiling Pope." Pious Roman Catholics claimed that his election was the work of the Holy Spirit, noting that it took only four ballots, the shortest conclave of the century. If so, then God moves in mysterious ways. For in 33 days John Paul was dead, *the sixth shortest papal reign* in nearly 2,000 years.

Writers have speculated on why and how he died. David Yallop's *In God's Name* was only the last in a series of books alleging that John Paul was killed by high-ranking prelates in the Vatican who feared that he was going to sweep the Church clean, *change traditional teaching on* birth control and remove Archbishop Paul Marcinkus, the controversial head of the Vatican Bank.

John Cornwell was given unusual access within the Vatican, he claims with Pope John Paul II's approval. He has produced a gripping read, a real life and death detective story, in which our hero, the detective's frustrations faced with the Byzantine ways of the Vatican, intrude frequently. It includes a macabre but hilarious session with the Signoracci brothers, the papal morticians.

By the end the author has scotched the murder plot nonsense without, thanks to obstruction, evasion and plain lying, being sure of the cause of death. He suggests that it was probably a pulmonary embolism, and not the heart-attack listed on the death certificate.

The dead Pope emerges as a *sad, simple figure out of his* depth. John Paul probably willed his own death and foresaw he would be succeeded by a foreigner. Few high-ranking prelates will be happy. Cornwell accuses them of causing the Pope's death by neglect and lack of love. That may be harsh – after all, a grown man already a prince of the Church should be expected to take the elementary precaution of consulting a doctor when he feels sick.

Michael Walsh's account of the Catholic organisation Opus Dei is less racy but fascinating yet frightening, particularly considering the influence that the organisation has enjoyed in Catholic Latin America, Spain, Ireland and the Vatican, and among businessmen generally.

It is easy to see the attractions of Opus Dei. Its appeal is "its message of sanctification through work and its sympathetic understanding of the apostolate of the dinner table, the apostolate of not giving, and the blessing upon middle class values."

Walsh strips away some of the pretensions and shows a church operating perniciously within a church. He declares that its influence is on the wane and points to the present Pope's increasing concern for the *poor and dispossessed*. But Opus Dei still has powerful friends in the Vatican court.

Kevin Rafferty

Fiction

A feminist Jekyll and Hyde

TWO WOMEN OF LONDON
by Emma Tennant
Faber & Faber £10.95, 121 pages

A SCHOOL FOR LOVERS
by Jill Paton Walsh
Weidenfeld & Nicolson £11.95, 186 pages

THE BURNING BOYS
by John Fuller
Chatto & Windus £10.95, 128 pages

OF SUCH SMALL DIFFERENCES
by Joanne Greenberg
Gollancz £12.95, 262 pages

EMMA TENNANT has turned the Jekyll and Hyde story into a contemporary feminist parable, an acid commentary on the return of Victorian values. In a corner of Notting Hill women lock their doors and windows against a rapist, but in the midst of their comfortable houses and tended gardens lives a woman who epitomises violence and disorder.

In Robert Louis Stevenson's story, a drug enables Jekyll to realise his violent nature, to act out his wildest fantasies in the person of Mr Hyde. But in Tennant's version, the drugs allow Mrs Hyde to escape from her life as a rapidly ageing, impoverished single mother. Like Stevenson, Tennant reveals the truth through the journals and letters of several characters, the fragmented narrative mirroring the Jekyll-Hyde duality.

Two Women of London is an intelligent, often fascinating novel of ideas, but its didacticism, its forthright use of the Jekyll-Hyde story may also be its weakness. There is none of the delicious mystery or suspense of the Stevenson novel, the awe one feels at the transformation or the horror at the evil of Hyde; for Mrs Hyde is a victim, and the duality she reveals is not so much between good and evil, ego and id, as between wealth and poverty, the power of men and the paucity of choices for women.

Jill Paton Walsh reworks *the story and themes of Mozart's Cosi Fan Tutte*, with Oxford undergraduates as the lovers and a dilapidated old country mansion the setting for their infidelities. *A School For Lovers* is a light, witty novel about the risks of falling in love. A vindictive Oxford tutor makes a bet with two of his acolytes that all women – *including their fiancees* – are faithless. He arranges for the women to work at the mansion and for the men to appear as assistants, each to attempt to seduce the other's lover.

Jill Paton Walsh is not interested in realism, for neither the elaborate plot nor the characters are credible. It is difficult to imagine students *so gullible and sexually innocent*. Yet the novel works as a Shakespearean comedy, an operetta with majestic settings, disguises, quicksilver changes in emotion, an amused but sympathetic tone, and the belief that young love is too naive and transitory to be tragic.

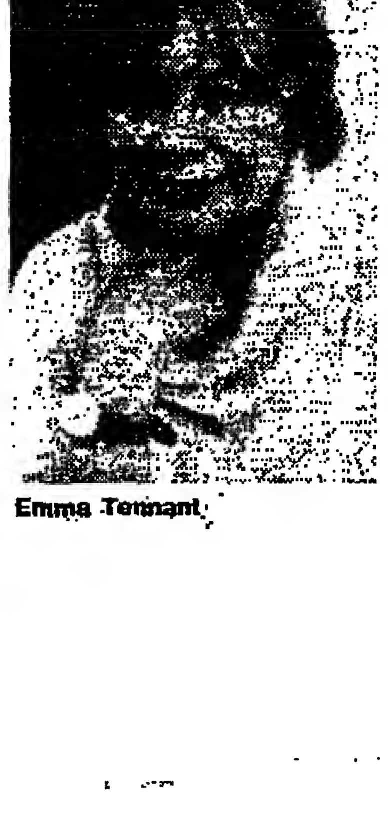
In *The Burning Boys* John Fuller joins two stories, parallel journeys from darkness to enlightenment, from innocence and oblivion to experience and consciousness. After his mother is killed in the Blitz, David is sent to Lancashire to live with his aunt and grandmother. Within the confines of his new home, from his hiding places under the table and in the cupboard, he learns the family secrets, the frightening grown-up truths. Gradually his world expands: he visits the home of a rich friend, a fun-fair and finally a *military hospital* where a fighter pilot is recovering from terrible burns.

The pilot emerges from a coma unable to remember anything except the names of his air force buddies. Slowly and painfully he is reborn, regaining the sight of one eye, the use of his mouth and finally his name. The brief meetings between David and the pilot are awkward, because the boy cannot understand the halting speech of the wounded man, and is frightened by his mask of bandages. But he will never forget him, the lost airman so, like a child's fantasy, for the moment of their meeting is the beginning of his journey into adulthood.

Fuller's tender and nostalgic vision of childhood contrasts well with his uncomfortable descriptions of the pain, the coming to consciousness of the pilot; and the images of confinement, of revelation, of wounds like badges of experience, unite the two stories.

In *I Never Promised you a Rose Garden*, the novel which established her reputation, Joanne Greenberg entered the mind of a schizophrenic girl and revealed the beautiful but violent fantasies which paralyse her. In her newest book, *Of Such Small Differences*, she explores the world of John Moon, a deaf and blind man proud of his independence, his job at the workshop, his poetry, his cooking and cleaning skills. But the orderly life which he struggles to maintain is upset when he falls in love with an actress, someone from the sighted, hearing world.

Through touch, smell, sensation, the position of the sun, the direction of the winds, John perceives things in a way a *sighted hearing person cannot*. Greenberg's observant, delicate narrative, her extraordinary attention to detail, enables us to not only to appreciate the beauty and logic of communication and *thought in the deaf and blind*, but to see the limitations, the insensitivity, the selfishness of the "normal" world. This a moving but never sentimental novel which for once examines the deaf and blind in their own terms.



Emma Tennant

Wendy Brandmark

High and mighty Earl

THE MOUNTBATTENS: THE BATTENBERGS AND YOUNG MOUNTBATTEN
by Antony Lambton
Constable £12.95, 256 pages

MOUNTBATTEN SUFFERED from chronic immodesty. While it was not the core of his character and did no public harm, it was nevertheless a most irritating trait in an otherwise engaging and dazzling individual.

Antony Lambton is justified when he says in *The Mountbattens: The Battenbergs and Young Mountbatten* that this weakness made him, "even to his closest friends, a figure of fun." Why a man of Mountbatten's *achievements should* have been so obsessed with royal ancestry is something for psychologists to fathom.

Lord Lambton has his own obsession, which is to expose Mountbatten's ancestors and correct what he deems to be the distorted family history. According to Lambton, Mountbatten tampered with this history to right the wrong done to his father. "Deliberately," Lambton writes, "he encouraged himself to believe it was a virtue to cover up his own faults and those of his ancestors." Lambton has done much research but was denied access to the Darmstadt and Mountbatten archives. Even so he promises us a sequel to this book, on Mountbatten's background, *one in which he says*: "I plan to write a series of essays on aspects of his public life which Ziegler mentioned but then skirted around."

Meanwhile he tells here us that, "Lord Mountbatten courted *publicity* more than any of his contemporaries in the three services. His ghost, freed from worldliness, should not resent an unbiased reassessment in this volume of his family's history and in the *next a dissection of his fantasies* which, when intertwined with a complaisant memory, made non-sense of the truth."

One can only reply that it will take more than a hostile book or two to dent the Mountbatten legend, which transcends lineage and ancestry, being so solidly based on well-attested achievement.

K. Natwar-Singh

WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Fraud and other facts of life

***David Kirk** on an entertaining study of a perennial problem*

WHEREIN LIES – if at all – the fascination of fraud? Ask any juror who has sat through three months of a fraud trial and the answer may not be printable.

And yet, as Bose and Gunn's book perhaps demonstrates by the very fact that it has been written, fraud is of considerable interest. The authors also rightly point out that it is a crime which, almost more than any other, affects us all.

The interest value of the frauds analysed by Bose and Gunn lies partly in a kind of ghoulish fascination to be derived from seeing the mighty fall. The sight of the defendants in the Guinness case in the crowded dock in Bow Street, their names on the same Court list as overnight drunks, pickpockets and three-card-trick merchants, is not easily forgotten. The demise of Ernest Saunders, once ruler of the mighty Guinness empire, was the stuff of Shakespearean tragedy.

In various cases there is envy too, at the wealth of some of those involved, admiration for the sheer neck of their plots and schemes, and awe at the ease with which those accused of fraud usually evade their just desserts.

But colourful accounts of the exploits of the Sethias, Sipras, Dikkos, Boeskys and Cameron-Webbs – as told by Bose and Gunn – reflect the tip of the iceberg. Although it is this level of malpractice which is, as the title of this book claims, The Growth Industry of the Eighties, it may be viewed as largely irrelevant for practical purposes.

Whether the mass of the iceberg has significantly changed is open to doubt. Fraudulently trading companies, carbon paper swindles, long firm frauds, and others like Spanish villa and pyramid-selling rackets, which come and go with fashion, continue to flourish as they have done for years.

If shoplifting and employee theft are included in the definition, it is at this level that fraud is so serious and insidious. It causes bankruptcies and job losses and misery, and it adds a significant percentage to the cost of everything we buy.

The Conservative Government has tried to show that it cares about fraud. This may be partly because it feels responsible for creating a climate in which fraud can flourish.

However, resources have only trickled into the fight against fraud, for example in establishing the Serious Fraud Office. Bose and Gunn give an account of this and other measures introduced in the last few years to combat fraud. But the few millions spent on the SFO do not guarantee that the problem will be properly tackled across the board.

FRAUD – THE GROWTH INDUSTRY OF THE EIGHTIES
By Mihir Bose and Cathy Gunn
Unwin Hyman, £12.95

The unfortunate Crown Prosecution Service, which has to prosecute the vast majority of frauds, is woefully underfunded, demoralised and mismanaged. Many police fraud squads, particularly in the smaller county forces, are accorded a low level of priority. It is unlikely that fraud will effectively be combatted by the present structure.

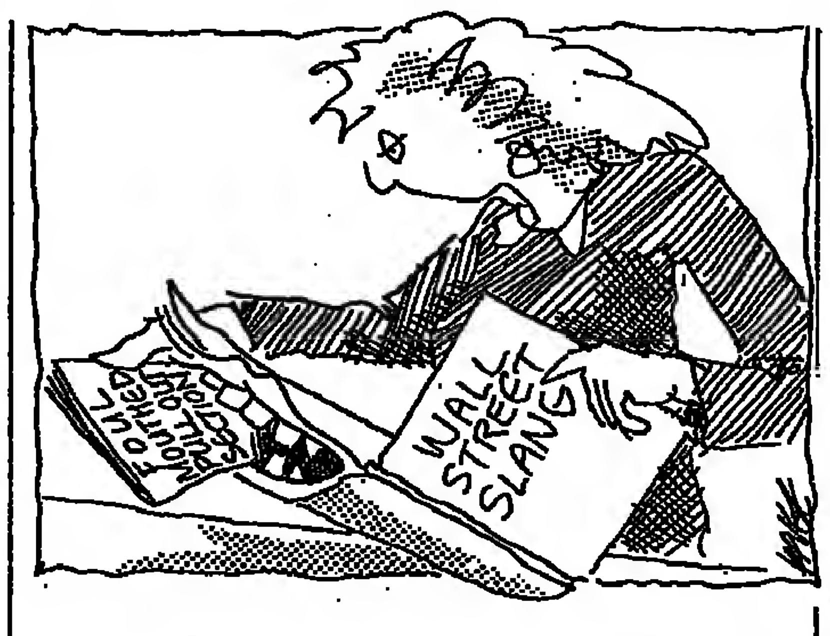
The authors are perhaps insufficiently critical of this set-up, placing too much faith in the new measures which, instead of striking at the root of the many problems associated with fighting fraud, have barely scratched the surface. Very few satisfactory prosecutions have resulted from the cases they cite, and it is difficult to anticipate that the success rate will rise under the new regime.

This reservation apart, Bose and Gunn write perceptively. Their descriptions of recent major fraud cases are well-researched and entertaining.

In concentrating on large-scale international fraud they have identified recent trends which have eased the path of the fraudster and immeasurably complicated the task of the investigator. The instant electronic transfer of funds across international boundaries, for example lies at the heart of much serious fraud.

The level of cooperation between the authorities of different countries, although showing a marked improvement, continues to be generally deplorable and is another weapon for the fraudster.

■ *David Kirk heads the Fraud and Regulation Unit at the City of London law firm Stephenson Harwood.*



Chairmen of the bawdy

KATHLEEN ODEAN has written an unusual, rather wonderful oral history of high-powered money talk in the American grain. According to her, the riskiness of the broker's life has inspired a sardonic wit, and the difficulties of applying Rothschild's golden rule (Buy Cheap, Sell Dear) are manifest in the wisecracks and one-liners found on Wall Street: "How do you make a small fortune on the futures market? Start with a large fortune."

Brokers have had a bad press for centuries. Although we now call them "account executives," "broker" still carries its ancient associations of "pimp" and "bawd." H.L. Mencken knew Wall Street as "The Devil's Chasm," which probably meant he was a "lamb" who had been "fleeced" by some sharp-suited shepherd. Yet if the jokes are anything to go by, The Street is almost proud of its reputation for high-jinks:

Q: "What do you get when you cross a pig with a Wall Streeter?"

A: "There are some things even a pig won't do."

"Piggy" Boesky (as he is apparently known) was merely the latest upholder of a long and dishonourable tradition – insider information was actually hawked in nineteenth century newspapers before being banned. Even Al Capone retired shocked and stung, complaining: "It's a racket. Those stock market guys are crooked!"

But this is to miss the real point of the wit, which Odean observes arising in the "crowding and excitement" of the Exchange, forming a vital private patois for the initiates. Some slang is practical, of course. To avoid confusion with McDonnell-Douglas, McDonalds is known as "Murder Burgers," and for years the hapless Pittsburg Screw and Bolt Company suffered under the moniker "love 'em and leave 'em."

HIGH-STEPPERS, FALLEN ANGELS AND LOLLIPOPS: WALL STREET SLANG
By Kathleen Odean
Dodd, Mead and Company (New York), 212 pages

There is an intriguing (and topical) chapter on mergers and takeovers in which we learn that the dreaded "Saturday Night Special" dates from Colt Industries' dastardly weekend bid for pocket-sized gunmen Garlock in 1975 (the deal was "cheap, and it went off quickly").

While a wealth of anecdote finds Odean amused, she is less happy with the everyday foul-mouthedness of the traders, who win no prizes for creativity in her opinion but whom I find hilarious. This applies especially to the sexy (she says sexist) lingo of the Options market, in which one kinkily "strips, straps, straddles" and "spreads" to make a killing, having entered the fray "naked" or "covered."

Verbally at least Wall Street is still a man's world, and although Odean would love to denounce all this as fraudulent machismo, she hasn't the nerve to unleash a fiery feminist broadside. It seems the lady has a good ear but no teeth, or perhaps she fears the simple truth is that Gentlemen Prefer Bonds.

Andrew Marino

A novel approach

JON WYNNE-TYSON runs Centaur Press single-handed, having started it in 1954. He has written several books, some of which he published himself and some were taken over later by bigger publishers. Now he gives advice on one of the most dangerous of combinations, a clash of art and the search for money.

Wynne-Tyson makes it a light-hearted right from the start. "There is a book in everyone, the saying goes. A chilling thought? With the increase in leisure, more and more are being drawn to creativity. More pots are being potted, more paintings are being painted, more books are being written. Society is awash with the cultural artifacts of Everyperson."

And so we go on. In the midst of all this he gives some valuable advice, such as warnings on going to a "vanity publisher," who will take on any book, however badly written, as long as the author will pay.

PUBLISHING YOUR OWN BOOK
By Jon Wynne-Tyson
*Centaur Press. £2.50, 29 pages**

This means that bad books can stand a better chance of being published than many a good one.

But the really hard advice includes the processes for promoting and marketing your book, handling orders, dealing with the manufacturers and the printers, advertising, pricing and whether to employ an editor.

Having got through the maze successfully, you are given his advice on launching parties and signing sessions. "Almost without exception – NO! Not unless you are an Astor or a Joan Collins."

**Copies from Centaur Press, Fontwell, Sussex BN18 OTA. Payment to be sent with order.*

Alan Forrest

Bold imaginings for a brave new world

ALL PROGRESS depends on the unreasonable man, said George Bernard Shaw: hence Charles Handy's title, *The Age of Unreason*. This is a time, Handy declares, for "bold imaginings in private life as well as public, for thinking the unlikely and doing the unreasonable."

It is an age, he argues, when changes have become "discontinuous," by which he means that there is no pattern in them. Revolutionary developments, most of all in information technology and biotechnology, are combining to change our world – and in particular the world of Work and, in consequence, of corporate organisation – to a degree which demands "upside-down thinking." His examples are spread far and wide: the end of the concept of employment; the case for horizontal careers; the post-heroic business leader; fixed-term marriage; a National Income scheme; institutional tithing; part-time priests; and much else.

THE AGE OF UNREASON
By Charles Handy
Business Books Ltd (Century Hutchinson), £10.95, 261 pages

In the future, less than a quarter of the population are going to have full-time jobs inside an organisation, he maintains, and he agrees that much of what he has to say is principally addressed to today's traditional career executive whose life is going to be transformed so dramatically in this brave new world.

There will be three categories of work – the Core (the minority, highly qualified, hard working, well rewarded with performance related bonuses, but one day with a left-over life to live); the Contractual Fringe, both organisations and individuals, paid for results; and the Flexible labour force – contract labour.

The corporation is already changing in association with the emergence of this "shamrock organisation" of work. Hence too the arrival of the international federal organisation, with its dramatically slimmed-down central office, allocating funds and executives to the outlying subsidiaries which provide the drive and energy.

But Handy is rather more fascinated, one suspects, in the implications of all this for our private lives. He acknowledges that there are dangers in "half the people working twice as hard while the other half have not enough to do." He puts his faith in Noël Coward – "Work is much more fun than fun" – in the sense that for the first time, in his own words: "We have a chance to shape our work to suit the way we live, instead of our lives to fit our work." He urges us to embrace the Portfolio Life, which he proceeds to explain in a reassuring, even tempting way.

Of course, he cuts corners in so brisk a canter. He is bound to be thin on detail (the privatisation argument needs development and I failed to find any single reference to trade unionism), and the chapter on Portfolio Marriage is foolish (do management consultants really think they understand the illogic of the human heart?) But by and large he provokes, stimulates, challenges. And it is slim enough to be read by that career executive on a single Business Class flight.

J.D.F. Jones

WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Conglomerate key to the Japanese mind

MITSUI
By John G. Roberts
Weatherhill, £17.50

MITSUI IS possibly the oldest large-scale enterprise in the world. The founder of the House of Mitsui abandoned his samurai sword for that potent symbol of the eastern merchant, the abacus, and opened his first shop five years before the Pilgrims landed in New England.

In 1673 one of his sons started a small drapery business, which has now become the great Mitsukoshi department store in Tokyo. In 1683, Mitsui opened a bank – a decade before the Bank of England was founded.

Before 1700, Mitsui had introduced the revolutionary policy of cash sales at fixed prices, as well as double entry book keeping, on-the-job training and a rudimentary profit-sharing system. By understanding the need for business and political intelligence, by preventing too much internal feuding, and by following the Japanese practice of rewarding ability even to the extent of adopting able employees into the family, Mitsui grew gradually from a family enterprise into a diversified but tightly co-ordinated conglomerate.

By the 1860s, Mitsui was rich enough and influential enough to give indispensable help to the revolutionaries who toppled the ancient military regime in Japan and loosened the shackles of feudalism. From then on Mitsui was in the forefront of Japan's economic modernisation. Before the end of the nineteenth century, Japan was a fast-rising industrial nation and Mitsui a dominant political force.

Mitsui has influenced legislation, arranged for the appointment of friendly cabinets, and made its imprint on foreign policy, often through the supply of men and materials for war. The company's relationship with various governments reflects the symbiosis of government and commercial life which so puzzles and infuriates people in the West.

Though he has lived in and written about Japan for 30 years, Roberts combines his understanding of the country with an undoubtedly American perspective. This has the disadvantage of viewing things from a Western rather than a Japanese viewpoint, but it does show very clearly the nature of the challenge posed by the rise of Japan.

Unwise or insufficient social planning is the natural consequence of an establishment allowing itself to be guided by economic organisations that are essentially lobbies for the very industries which are creating problems such as air pollution, landscape squalor, a traffic crisis, and dangerously bloated cities.

Indeed, an inordinate concentration of power in the bureaucratic, military and financial cliques produced something approximating to a military-fascist corporate state in the 1930s, with the *zaibatsu* as the cornerstone of the system.

The programme to suppress the zaibatsu after the Second World War was forced upon Japan and never really accepted. With anti-monopoly laws now being flouted in Japan and America as well as other parts of the world, it will not be surprising for the zaibatsu to take formal shape again if circumstances are right.

To understand Mitsui is to understand Japan. Roberts' book should be required reading for everyone who deals with Japan at any level.

Prabhu Guptara

Patterns of science

SCIENCE AND CORPORATE STRATEGY: DU PONT R & D 1902 – 1980
By David A. Hounshell and John Kenly Smith Jr
Cambridge University Press, £27.50, 776 pages

THE DIFFICULTIES of carrying out successful industrial research and development can never have been charted more thoroughly and frankly than in this account of nearly 80 years of R & D by Du Pont, the biggest US chemicals group. What could so easily have been simply a story of amazing discovery and innovation – cellophane, neoprene, nylon, plutonium, Teflon, Orlon, Dacron, etc – is a scholarly analysis of the organisation and management of the activity that least lends itself to these commercial disciplines.

This was ordained from the start, for the authors are business historians who undertook it (at Du Pont's invitation) as a research project, on two conditions: unrestricted access, and the right to determine the scope, content and detail. They do full justice to the opportunities offered.

As well as the glittering prizes they chart the costly commercial failures, such as Corfam. This was Du Pont's long-sought copy of natural leather, complete with pores to breathe, that was to avoid such drawbacks for customers as coming in cow-shaped pieces. But Corfam fell foul of fashion and softer kinds of leather.

They explore the ambiguities of a corporate decision in the 1940s that the central research department should leave polymer research – whence had come neoprene and nylon – to the industrial divisions, and pursue fresh opportunities, and the consequent complaints from divisions that central research was pursuing objectives out of step with their core technology.

They investigate Du Pont's profound technical contribution to the wartime plutonium separation project, as a new but unsought venture for the explosives department, and its post-war decision not to pursue the commercial opportunities of the enticing new nuclear technology.

The company originally embarked on R & D in 1902, as an explosives company making smokeless powder for the US Navy. It hired a chemist, J N Wingett, known among his peers as "the Wizard," who had invented a method of making black powder continuously instead of in batches. The Wizard got a guaranteed $65,000 for his patent applications and a salary of $300 a year to "debug" his own processes.

Ironically, Wingett's enduring contribution was to introduce the company to one of the most difficult problems R&D has to face: when and how to stop a project. By 1909 the company's patent lawyers had declared almost all the Wizard's 200 claims to be "worthless and unpatentable." His continuous process was finally abandoned in 1912, after some $200,000 had been invested in the venture.

In fact, during these early years Du Pont was experimenting with two significantly different approaches to industrial R & D. Its Eastern Laboratory pursued a strategy closely aligned with short-term commercial objectives and proved a highly profitable investment. Its Experimental Station – where the Wizard worked and which corresponded to today's central research laboratories – undertook longer-range, higher-risk challenges. It survived such setbacks as the failure of the continuous black powder process.

In 1913 the US Justice Department allowed the company to retain all of its smokeless powder-making capacity. The reason it gave was its reputation with the military. The Experimental Station set a pattern for science in Du Pont which has endured for nearly 90 years.

David Fishlock

Mohn's menu for management

SUCCESS THROUGH PARTNERSHIP
By Reinhard Mohn
Bantam Press, £12.95


Reinhard Mohn

BOOKS ON management by American businessmen are common enough, but Europe's top managers have remained oddly bashful about expounding their ideas in print.

As an outstanding contributor to West Germany's post-war economic miracle, Reinhard Mohn's views command particular attention. After internment in the US, he returned home in the 1940s and set about re-building the shattered fortunes of Bertelsmann, his family's century-old printing company. Today, Bertelsmann is Europe's biggest publishing and media concern.

Mohn should, therefore, have an interesting tale to tell. However, it is probably of more value to those seeking an understanding of thinking at the top levels of West German business than to outsiders hoping to learn practical lessons from Bertelsmann's success.

Mohn's central theme is the need to develop a new type of relationship between employees, providers of capital and government. At Bertelsmann, one of his priorities has been to create a contemporary corporate setting the energy and creativity of 19th century entrepreneurs. His approach has combined far-reaching decentralisation with a rigorous system of promotion on merit, extensive internal consultation, profit-sharing and employee share ownership.

The "partnership" in the title is based on his conviction that management authority is a privilege, not a right, and can be effective only if it is seen to be exercised fairly. Bertelsmann has an internal "constitution" setting out its corporate aims and the obligations of managers, and by-laws governing staff consultation.

While Mohn obviously believes that Bertelsmann has got its own internal arrangements right, he thinks unions and governments still have much to learn. The former, he argues, still indulge too much in confrontational posturing for its own sake, while the latter intervene excessively with little regard for business realities.

As for the role of capital, shareholders need to accept that their interests are best served not by maximising short-term profits, but by developing a better understanding of the business. Mohn is severely critical of inadequate shareholder representation on German companies' supervisory boards which, he argues, has greatly weakened the latter's effectiveness in imposing management disciplines.

It would have been interesting to read more about Mohn's views on the complexities of managing a large multinational enterprise, and to have had his views on the comparative merits of German and, say, Anglo-Saxon models of capitalism. But such questions are barely touched on.

Nor does the book contain any illuminating anecdotes or examples. Its style is didactic, abstract and often repetitive. A pity that the head of Europe's biggest publishing house did not avail himself of a competent editor and ghostwriter . . .

Guy de Jonquieres

An overblown buzzword

SECURITISATION
By John Henderson and Jonathan P Scott
Woodhead-Faulkner, £55, 182 pages

TWO LESS THAN sonorous words have dominated discussions about the international financial markets throughout much of the 1980s: globalisation and securitisation. In both cases the claims have been overblown.

It is now clear that many securities firms and banks have sensibly buried their "global" ambitions and now prefer to think of themselves as international, or even domestic "niche" institutions. It is apparent, too, that while securities markets will continue to play an increased role in the allocation of capital, certainly when compared to the bank-dominated 1970s, the shift towards securitisation was also exaggerated. The stock market crash of 1987 triggered an unprecedented surge in international bank lending as investors fretted about all types of securities.

In retrospect, it is clear that securitisation was being exaggerated even as the trend was in full swing. Many financial assets were apparently being "securitised" – far-reaching borrowers were using the floating rate note market rather than borrowing from banks – yet those notes were ending up on the balance sheets of banks.

The authors prefer to define securitisation narrowly, as the process by which assets are removed from the balance sheets of banks, packaged and sold to investors who have no recourse to the bank that originally held the assets.

International banks have, since the start of the Third World debt crisis, been more concerned with the adequacy of their capital, a trend since reinforced by international agreements on capital adequacy among central banks. Techniques of securitisation allowed banks to earn the up-front fees of lending and move to others the risk of that lending. Recently Barclays became the first UK clearing bank to remove mortgages from its balance sheet by repackaging them as securities.

Securitisation was essentially born, say the authors, where there was a shortage of risk capital. The US mortgage markets, the first and most successful example of large-scale securitisation, grew up amid regional shortages of capital.

But not for this book the kind of arguments put forward dramatically by such individuals as Lowell Bryan, of the US consulting firm McKinsey. Securitisation, he has argued, "could change the financial landscape of America," in part by creaming off the best financial assets and leaving the dregs to the bank lenders.

However, the authors are not blind to some potential disadvantages of securitisation: the problems that misunderstandings about the risks involved can bring, the increased possibility of fraud, and the over-reliance on rating agencies.

They try to throw the ideas forward to some extent, seeing some uses in the area of Third World debt. But for the most part the book is neither polemical nor an academic treatise, but a practical guide for those who might want to use the market in the UK.

Stephen Fidler

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WEEKEND FT SPECIAL REPORT/BUSINESS BOOKS

Plotting patterns in an irrational world

FORECASTING FINANCIAL MARKETS
By Tony Plummer
Kogan Page, £25, 264 pages

PRICE MOVEMENTS in financial markets, says Tony Plummer, are not the wholly unpredictable outcome of wholly rational decisions taken by completely independent people. Instead, he claims, they are the result of often irrational behaviour by conflicting crowds in the grip of various forms of emotion and hysteria.

So far so good. But can Plummer develop a theory to explain price patterns and provide the basis for profitable investment? You can admire his sheer nerve at trying to develop a theoretical framework for the empirical techniques of various technical analysts, including Elliott, of "wave" fame. But this combination of amateur psychology, mathematical science and superstition simply will not do.

His basic model is founded upon two groups of investors – the bullish crowd and the bearish crowd, but it is not at all clear that the real world is as simple as that. Things rapidly get murkier when he starts plotting changes in prices on one axis against sentiment on another. Sentiment? He defines this as "the combination of emotion, judgment and activity," but I am afraid I am none the wiser.

Some of the author's mathematical analyses are more interesting. He looks at Fibonacci number sequences and spiral theory, and the role of the Golden Ratio (1.618) and its associated ratios 0.618 and 2.618. Footsie's fall from its intraday high in July 1987 to its intraday low in November was 38.3 per cent, almost exactly in line with the classic retracement ratio of 0.618.

These occasional curiosities do not, however, add up to a convincing theory. Repeatedly Plummer makes the claim that his techniques can make money: for instance, on page 40 he suggests that technical analysis is "both simple and profitable." But anybody struggling through the rest of the volume will find that simple it isn't. As for the profits, no evidence is offered. Any truly scientific validation of technical analysis would have to start with randomly chosen situations and then show that there was a statistically significant chance of using standardised techniques to show a profit.

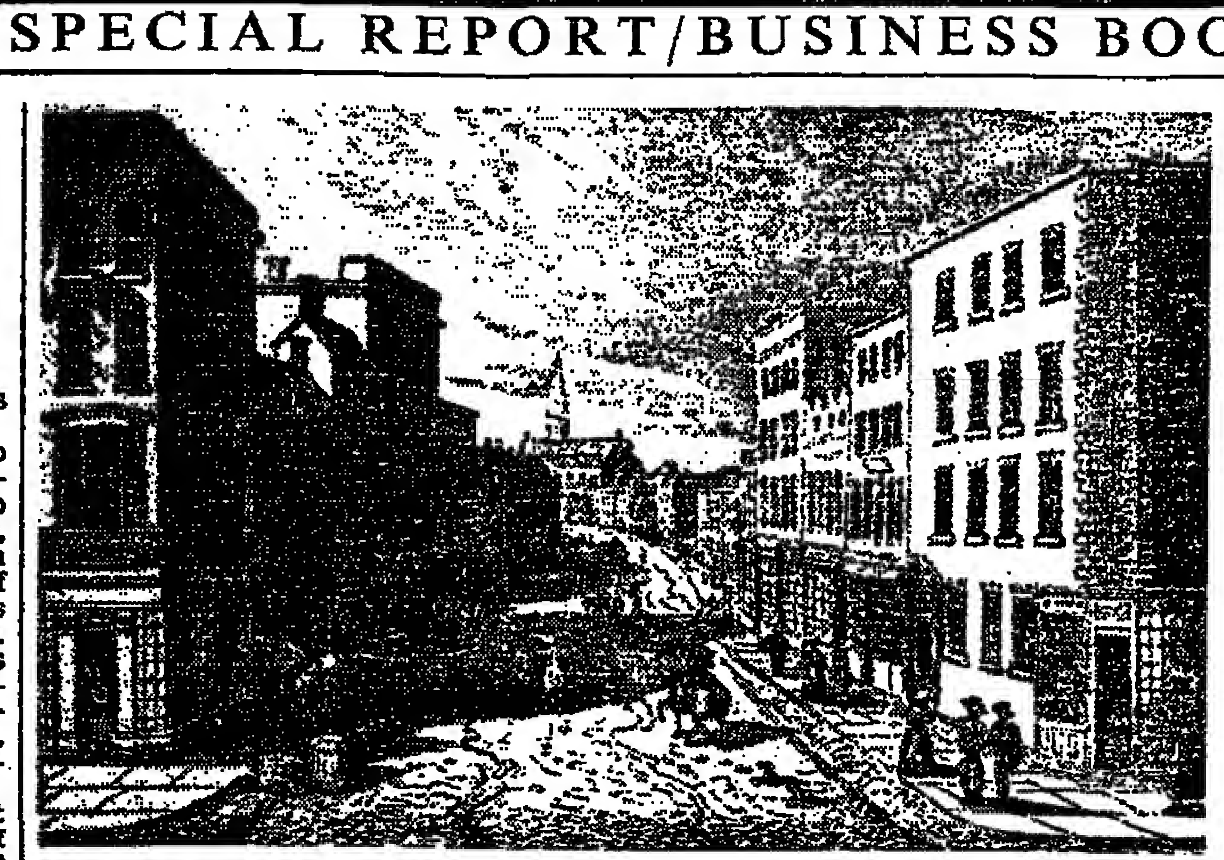
But the author's examples prove nothing.

For myself, I am prepared to believe that inspired individuals can occasionally come to important decisions. However, the whole subject has been degraded by the willingness of gurus to generate predictions from any chart at any time. Meanwhile, for all his claims that technical analysis is simple, the author revels in complexity. The gilt-edged market, he announces, features 16 different cycles.

As for one of the most famous cycles, the Kondratieff wave, which lasts more than 50 years, Plummer wrestles manfully with the implications. Was August 1987 the peak? Alternatively, was October 1987 the low? Then again, maybe the real peak will come in the year 2000. The one conclusion he does not manage to come to is the commonsense one, that if the Kondratieff cycle really exists it is far too elusive and fragile to be used for predictive purposes.

But when all is said and done, Tony Plummer's obvious enthusiasm shines through. The book will entertain and intrigue keen investors even if it fails to convince them.

Barry Riley



New Street, Birmingham, in 1838

Big-time Birmingham

BIRMINGHAM: THE FIRST MANUFACTURING TOWN IN THE WORLD
By Eric Hopkins
Michael Joseph, £20, 222 pages

"HOW THEY got their fortune nobody knows. They came from Birmingham, which is not a place to promise much, you know, Mr Weston. One has not great hopes from Birmingham. I always think there is something direful in the sound." Thus spoke the country vicar's wife Mrs Elton in Jane Austen's *Emma*, published in 1816.

Mrs Elton had probably not heard of men like John Taylor, who had done all that was needed nearly a century before to become a big noise in Brum. He soon became the biggest manufacturer in the city's Dale End area, producing gilt buttons and enamelled snuff boxes. He also founded Birmingham's first bank, Taylor & Lloyd, in 1756, and left £200,000 in his will.

This book about the rise of Birmingham, published recently for the city's centenary, is the work of an honorary research fellow in economic and social history at Birmingham University. It is full of information about the early entrepreneurs, and ranges through the growth of Birmingham's industries (mainly guns, toys, jewellery and brass) But its central theme is a new vision of the Industrial Revolution.

The expansion of Birmingham does not fit easily into the traditional descriptions of this period. As the book says: "These accounts emphasise, again and again, technological advance in the textile and iron industries, together with the development of steam power and railways. Yet Birmingham became a massive manufacturing centre in the 18th century, of greater importance than Manchester in the early days of expansion, without the aid of that wave of gadgets . . . Birmingham's success was based very largely on hand technology, and as we have seen, steam power played little part until the 1830s at the earliest."

Hopkins gives all kinds of reasons for these differences. Writing about different class relationships, he points out that although workers' living standards were low, there were not so many "filthy slums and scenes of disgusting squalor." In spite of some riots there was nothing like Manchester's Peterloo, and "the stereotyped picture of Birmingham as a scene of class cooperation rather than class conflict seems to be substantially accurate."

The book is a highly digestible chunk of business history, and whichever way you look at it, Jane Austen's Mrs Elton was wrong.

Alan Forrest

Private profit for the public good

THE GENEROUS CORPORATION: A POLITICAL ANALYSIS OF ECONOMIC POWER
By Neil Mitchell
Yale University Press, £14.95, 163 pages

US CORPORATIONS will this year donate roughly $5bn to philanthropic causes of one kind or another, and in the UK, organisations such as Business in the Community are attracting growing support from a wide range of companies.

There are still managers who believe that their only job is to maximise profits, leaving shareholders to decide whether they will want to donate their dividends to community causes. But in the current climate, they do not shout such views out too loudly.

What accounts for this voluntary restraint of profit maximisation, and why do businessmen feel the need to do other than rely on the operation of an invisible hand to transfer selfish motives into public benefits?

One possible explanation could be that the ownership of business has become separated over the years from its management. Professional managers may feel that they are not simply in business in order to pay out higher dividends, but have wider interests to serve. Another possibility is that corporate social responsibility is nothing more than a sop to labour, designed to keep the workers sweet.

Both these viewpoints are demolished in a perceptive new book by Neil Mitchell, a US political scientist. He shows that there is little relationship between the type of business ownership and profit performance, and that professionally managed firms are no more likely to have a conscience than those which are run by their owners.

Instead, Mitchell suggests that such policies originated in response to a new ideology of business power. They represented an attempt to legitimise that power in the eyes of government and other interested groups.

The developments of the 1920s – such as the appearance of pension plans and sickness benefits – were a rejection of the old business ideology of the "robber barons." Concern about the unhealthy power of business had been growing since the Civil War and became a hot political issue in the period up to the Great War.

Similarly, Mitchell links the current active approach of US corporations to philanthropy with the wave of hostility towards big business which swept the US in the decade after the mid 1960s. The bigger the company, the more likely it is to be active in some sort of social policy, and the most likely to be involved of all are big companies in "unpopular" industries like oil, chemicals, and tobacco. These are the businesses which have to work the hardest to legitimise their corporate power.

Companies in Europe generally have less political importance than those in the US, which is why – according to Mitchell – they are not nearly so active on the social front.

Perhaps so, but how do these arguments explain the growth of corporate giving in Britain under Thatcherism? After all, UK companies have not had such economic freedom and political power for years – while in the eyes of such heroes as Friedrich Hayek or Milton Friedman, corporate philanthropy is not only unbusinesslike: it actually threatens the vitality of capitalism itself.

It may be that British business is seeking to pre-empt political criticism in the future by showing its sense of social responsibility today. Or perhaps businessmen are seeking to legitimise in their own eyes their more rigorous approach to management. It must be a painful and unpleasant task to close down an uneconomic factory. The act of putting something back into the community, even if it is of a relatively unspecific nature, may provide some comfort.

Richard Lambert

Trouble in store

POSITIONING STRATEGY IN RETAILING
By Gary Davies and Janice Brooks
Paul Chapman Publishing, £19.95, 225 pages

BRITISH retailing appears to be in a state of chaos. The Chancellor bears some of the blame: the squeeze on consumer spending is now cutting retail sales. But retailers themselves are equally culpable.

There is a depressing sameness to Britain's high streets at present, as retailers copy each others' successful ideas. Difficult trading conditions have made things worse, as retailers cut prices in response to falling sales.

It would seem obvious that what shops need to do to attract and retain custom is to be different from, not the same as, their competitors. Yet the obvious is so often overlooked that there is room for it to be said, and thus this is a valuable book. Its simple message is that "being different pays dividends."

It argues that retailers, rather than just distributing manufacturer's goods, should add value to the merchandise and build their stores into brands.

Added value can be achieved through such elements as more choice, better service, higher quality or even lower prices. Each provides the retailer with a way of differentiating its "offer" to customers.

Market research can suggest what shoppers regard as the ideal store. Success, says the book, comes by adopting one of two positions. The first is being closest to the ideal. But "in an undifferentiated market, the retailers in the shadow of those closest to the average view of the ideal store will suffer." The alternative is to be sufficiently different to the ideal to escape from the shadow, while offering something attractive to a large enough population to make money.

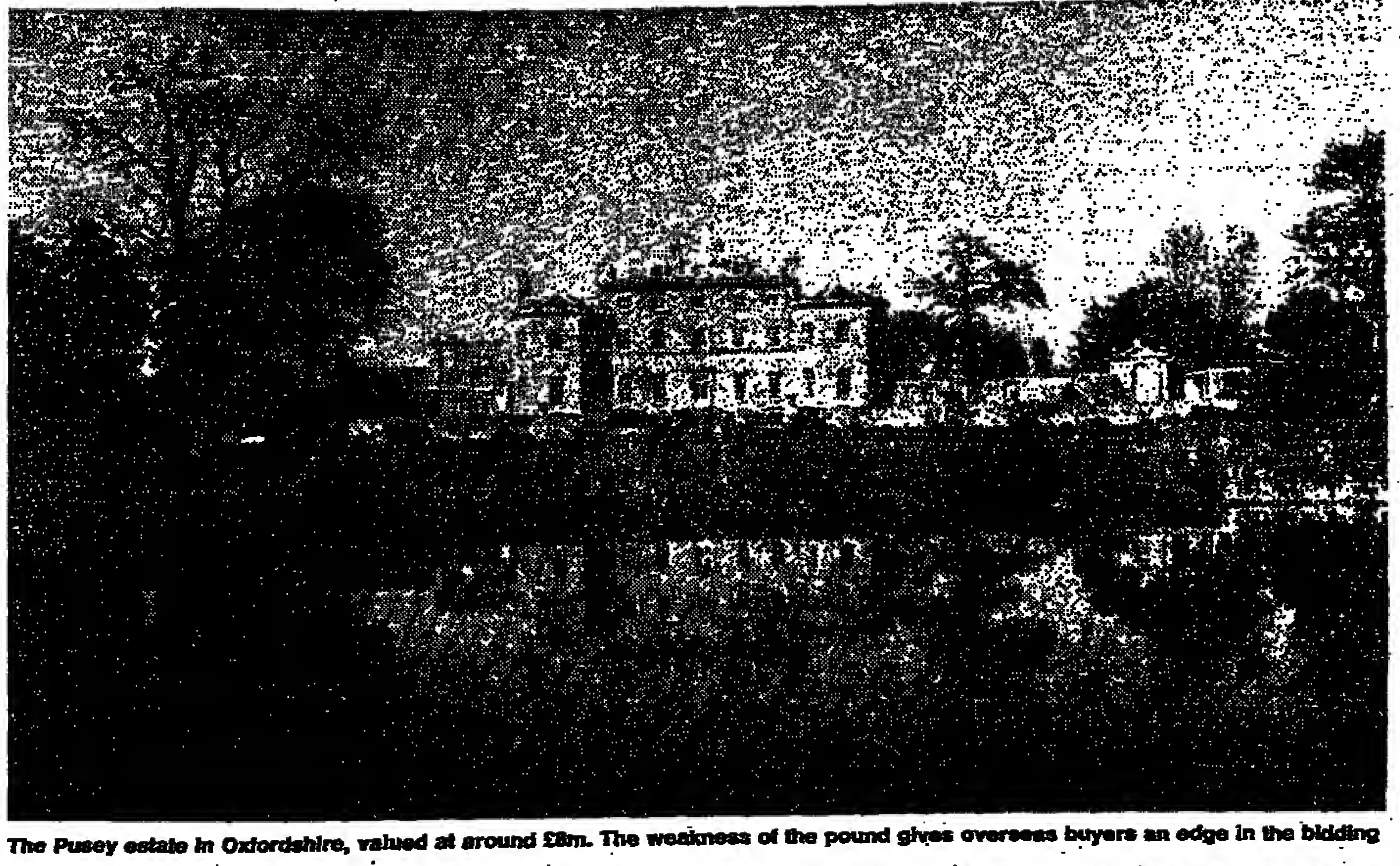
One has little difficulty agreeing with this thesis. A reminder of the state of food retailing in the mid-1980s shows that the Co-operative was at the same time "consistently far from the ideal and poorly differentiated." Marks and Spencer and Kwik Save were also some distance from the ideal but were clearly differentiated.

"British retailing is comparatively profitable at the time of writing," say the authors. It is getting less so. Competition is becoming more intense. Those retailers which survive are likely to be the ones which have, by luck or judgment, adopted some of the strategies in this book.

Maggie Urry

Bonanza time for buyers

Britain's housing market is full of good news, says ***John Brennan***



The Pusey estate in Oxfordshire, valued at around £8m. The weakness of the pound gives overseas buyers an edge in the bidding

IT IS SO unfashionable to see anything but bad news in the housing market in Britain now that all the good news tends to get ignored.

It is certainly true that higher interest rates have forced up the costs of ownership, so reducing the re-sale values of the UK's 15m owner-occupied homes. But the higher mortgage rates are academic for a quarter of those owners, since they own their properties outright.

For the rest, the average loan still represents less than 70 per cent of the value of the average property and, even pegged to its now historic maximum limit of £30,000, tax relief on home loans remains a significant subsidy.

As for mortgages themselves, competition to lend has created a host of variations on the interest rate. Besides which, a home-secured mortgage still represents low-cost money in comparison with virtually any other form of personal borrowing.

That is no comfort to those sliding down the non-repayment slope towards repossession. But set against the couple of million people who now seek advice each year on consumer debt problems, the number of home-owners who do fall through the building societies' and banks' tight-meshed safety nets of deferred loan payments and extended loan terms is, in statistical if not human terms, miniscule.

As for falling values, the bad news is only paper-thin for the overwhelming majority of owners. You might not get as much for a property in 1989 as you would have in 1988 but, unless you are trading out of the market altogether, what does this matter?

Rising earnings and static (or reduced) house prices keep the housing ladder from disappearing out of first-time buyers' reach. Static or reduced prices benefit those trading up-market, since any discount on a cheaper property is more than countered by the discount on a more expensive one.

Anyone trading down-market runs into the reverse effect but, with luck, they should be sitting on a longer-term (and, therefore, larger) equity in their home to begin with.

Puncturing the "wealth factor," where rising property values make people feel more prosperous and thus more confident about borrowing to spend, can hardly be treated as bad news – unless a doubling of consumer debt in real terms since 1981, and the consequent sucking-in of imported consumer goods, is regarded as an unqualified boon.

Treasury estimates suggest that as much as £25bn of last year's £40bn-plus net new advances against property were equity releases for spending on anything but UK bricks and mortar, so today's tears might better be reserved for the shops rather than the housing market.

Looked at in retailing terms, the housing market today is packed with good news for buyers. It is as if, after a period when you could be a customer only as long as you were willing to queue overnight and pay more than the marked price, every car showroom in the country announced that all their best new and classic models were going on display on the forecourt immediately; that you could have all the time in the world to walk around kicking the tyres or test driving anything that took your fancy; AND that the price of every single car was open to offers.

Yet, when much the same thing happens to housing, it is greeted as a tragedy.

This time last year, few of the really good properties for sale ever made it into the open market. Now, cash buyers have rarely had it so good. After the usual winter hoarding of properties, as vendors and agents held back all but the most immediately saleable until the sun and viewers were about, the agents' books are groaning with spring and early-summer listings of town and country homes.

For buyers from overseas who haven't written off the UK as a market for investment, the recent slide in the value of the pound has been pushing British homes to a far deeper discount than any home-grown price cuts. In dollar terms, those wanting a London home, an antique to live in, or a country estate, have saved more than 10 pence in the pound since January on currency exchange rate changes alone.

Knight Frank & Rutley reports a marked increase in the number of foreign buyers picking country estates from its books since the turn of the year as a result of sterling's bargain appeal.

The weakness of the pound gives overseas buyers an extra edge in competition for this season's crop of major estates, led thus far in 1989 by the arrival on the market of the 1,300 Oxfordshire acres of the Pusey estate, which is valued at around £8m by joint agents Savills (01-499-8644) and Cluttons (01-499-4155).

Villages get a kiss of life

SOME 350 affordable village homes have been built in a project run by the National Agricultural Centre Rural Trust (NACRT) to stem the alarming departure rate from English villages of local people on small incomes.

The trust was established because of concern over rural life as more and more young villagers move away – reluctantly – because no local housing is available at affordable prices.

This is only the beginning: a lot more schemes are at various stages, ranging from the first initiative being taken by parish councils to the actual building of low-cost homes.

The two essentials for success are cheap land and non-profitmaking housing. The schemes depend on acquiring small packets of agricultural land, perhaps a paddock or field, just outside a village "envelope" or core. The trust pays landowners between £4,000 and £6,000 an acre – two or three times the going rate for agricultural land.

With the growing shortage of tied and estate cottages, accelerated by the rising value of property, the village housing situation has worsened.

But not all homes developed with the help of NACRT are for the young. Two-bedroom bungalows for elderly people are also being built, with small gardens and an alarm system linked to the telephone. In turn, occupation of these new homes by retired people releases three-bedroom houses as family homes.

The trust is divided into four regions: Midland, north, south-east and west. Most of the costs are met by the government-funded Rural Development Commission; the balance is raised by the trust through fund raising and donations.

Developments are planned either for renting or for shared ownership, which works on a mortgage basis.

Says Martyn Punyer, south-east regional director: "Shared equity is extremely popular in this region. The cost per house is between £35,000 and £40,000, so an income of £12,000 to £13,500 is needed."

This indicates the number of homes required for particular age groups and, hence, the size of land. Possible sites are then inspected and a decision reached, with the district council, on which sites are acceptable mutually.

Formal planning permission is then sought, after which a local architect designs a scheme to suit the area. This is presented to a public parish meeting where villagers express their views.

Although welcome, the completed schemes represent only a fragment of the need – estimated at 40,000 homes. The north alone needs at least 6,000 homes, reckons director Gareth Lawes, who is also an architect. Six schemes are tenanted and up to 15 further rent schemes are in progress plus about 15 shared ownership projects.

In the west, regional director Nicholas Bacon reports that the rental scheme at Timberscombe, Somerset, where nine family homes were completed in November, drew 30 applications from families with both housing need and strong local connections.

Sally Watts

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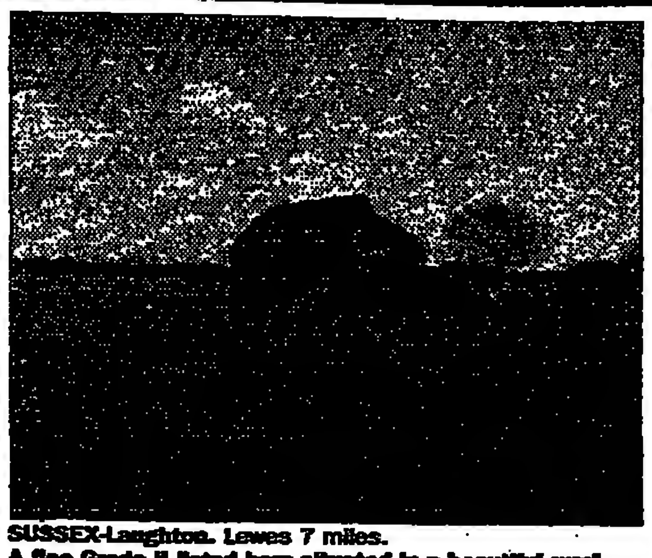

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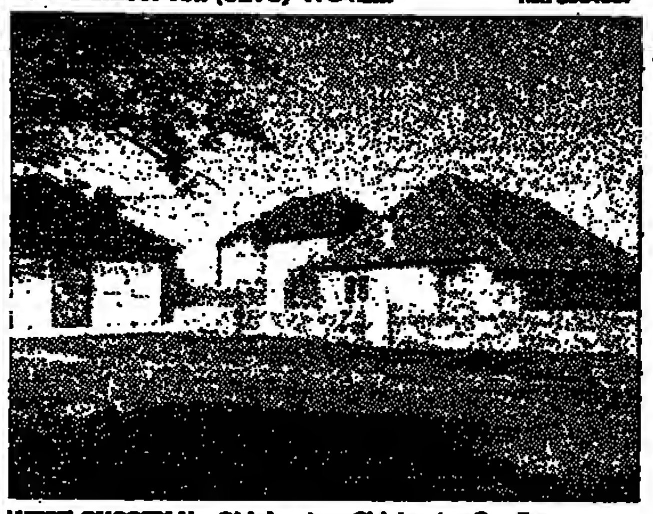

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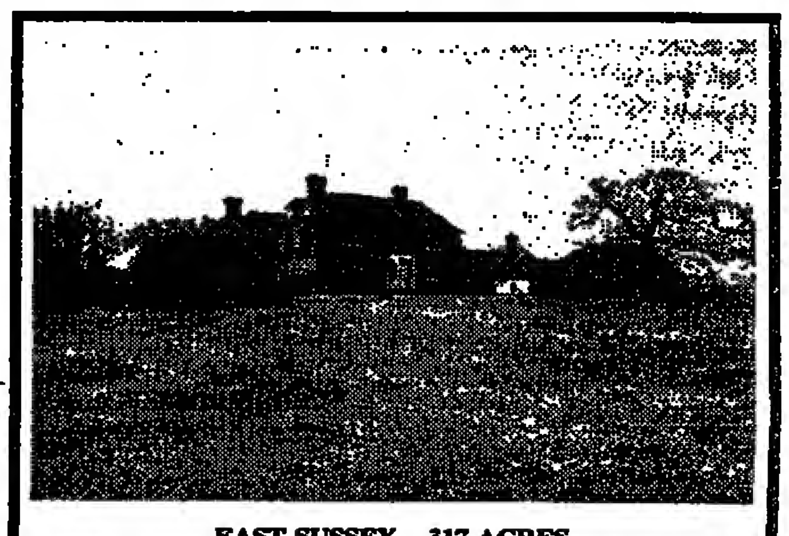

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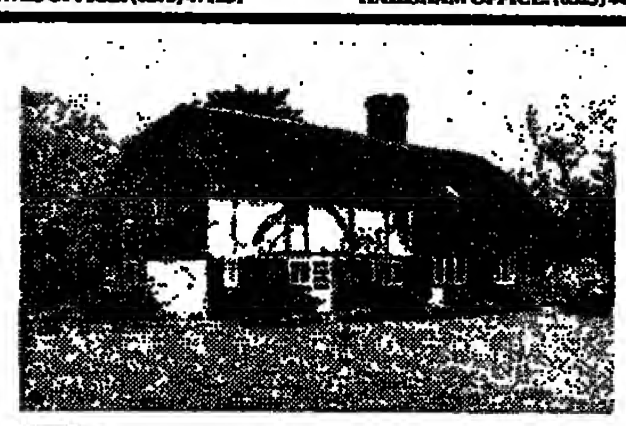

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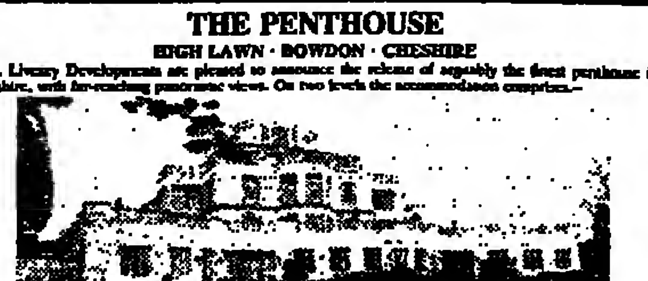

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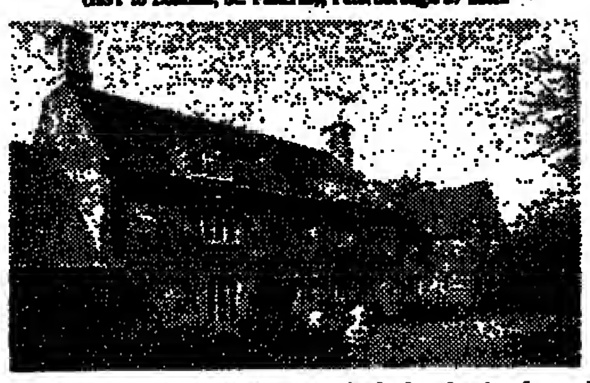

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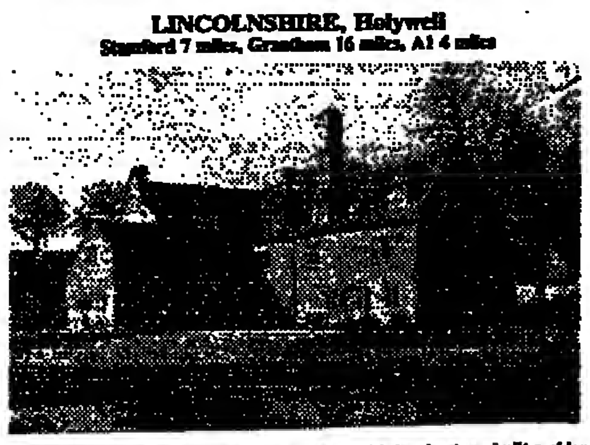

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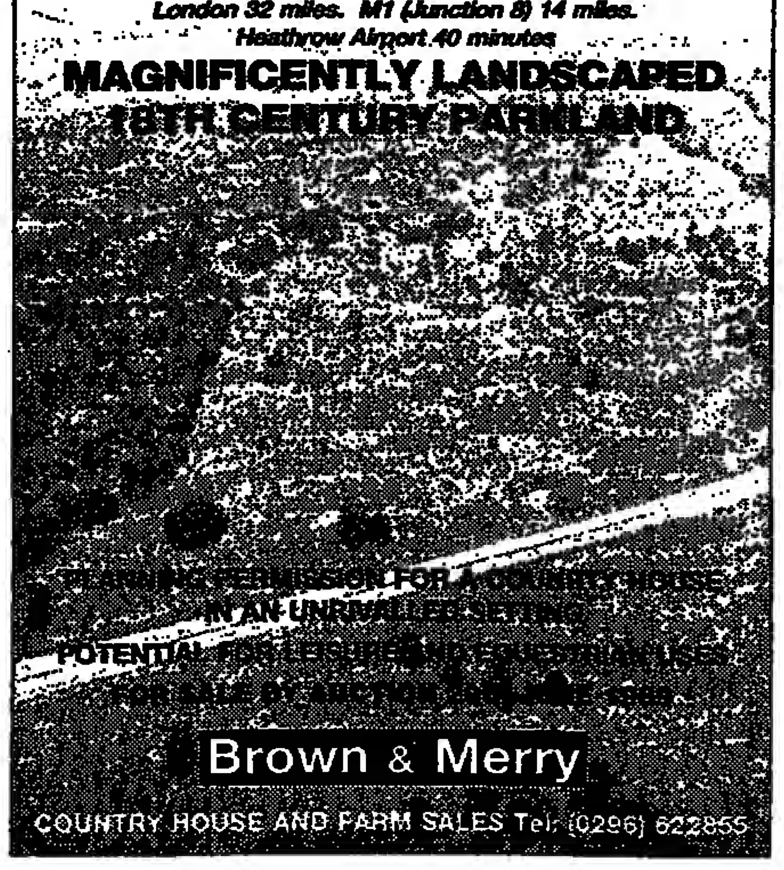

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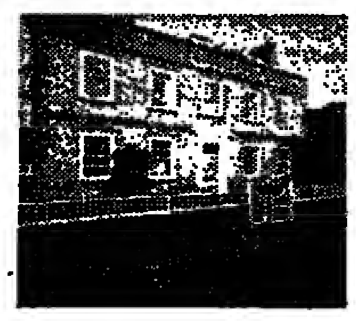

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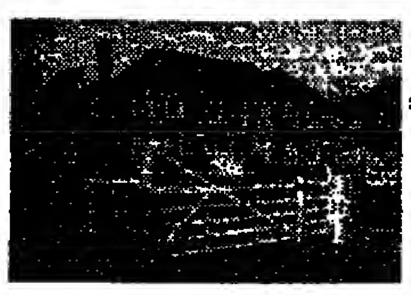

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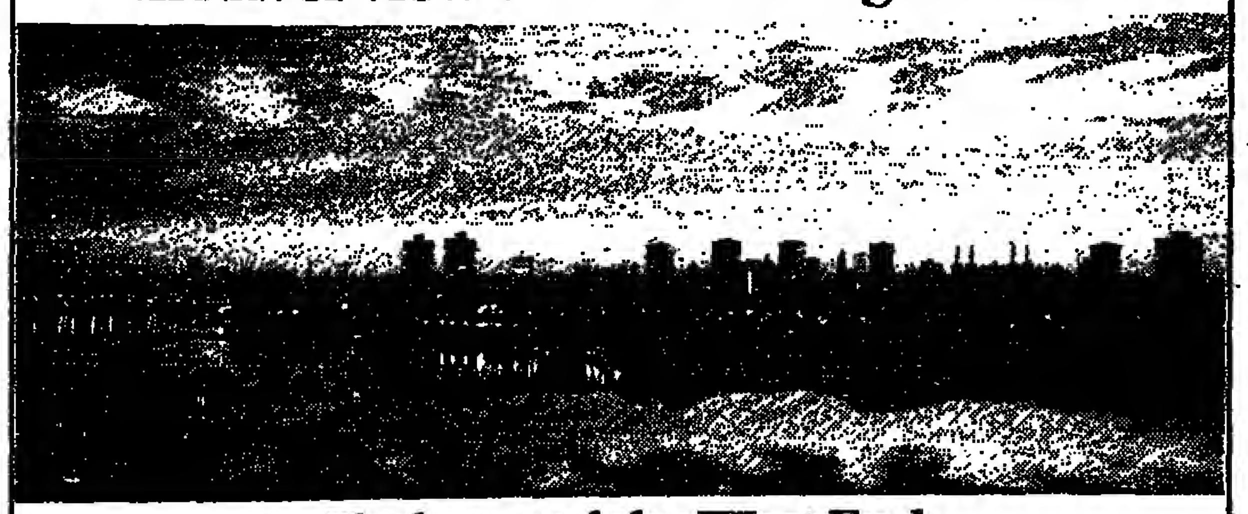

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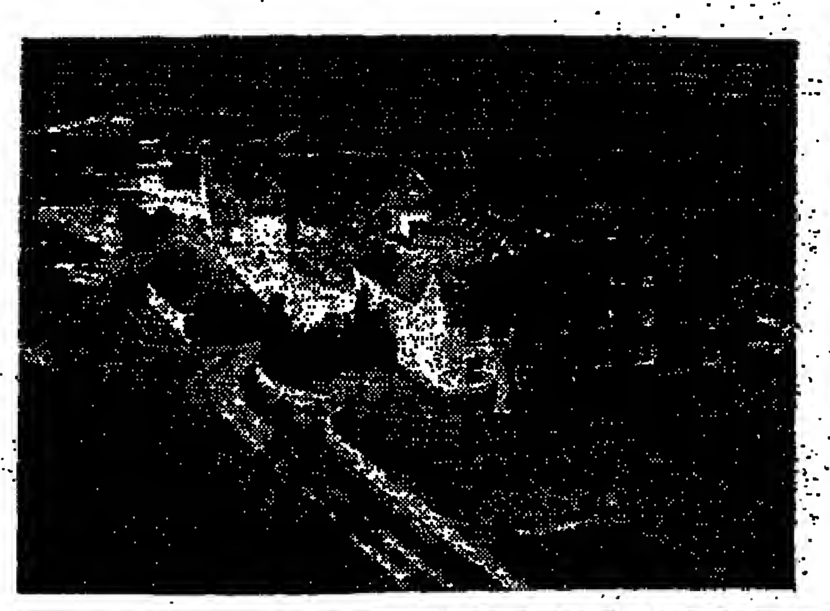

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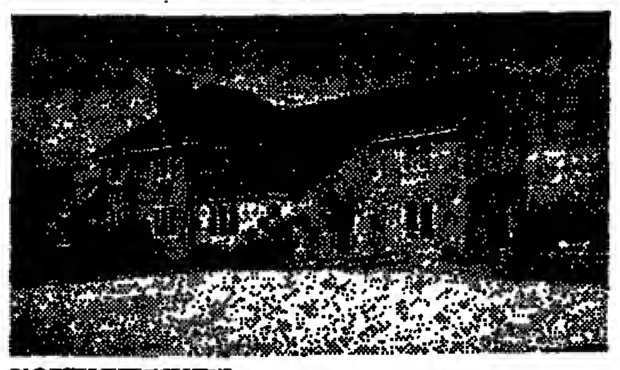

NORTH WILTSHIRE
M4 and Swindon 3 miles. Spacious farmhouse in quiet rural setting with panoramic views to Marlborough Downs in 7 acres. 3 receptions, 5 bedrooms, 2 bathrooms, *boarded attic, utility and other rooms.* Garaging. Railed paddocks, 6 loose boxes, walled swimming pool.
Guide Price £450,000
Hamptons, Marlborough Office: (0672) 55181

WORCESTERSHIRE – WEST MALVERN
Substantial period residence with potential for alternative uses subject to P.P. Halls, 6 receptions, kitchen, cellars, 8 bedrooms, 4 bathrooms. Outbuildings. Swimming pool. Gardens & grounds of about 4 acres in all.
Freehold for Sale
Hamptons, Worcester Office: (0905) 723313

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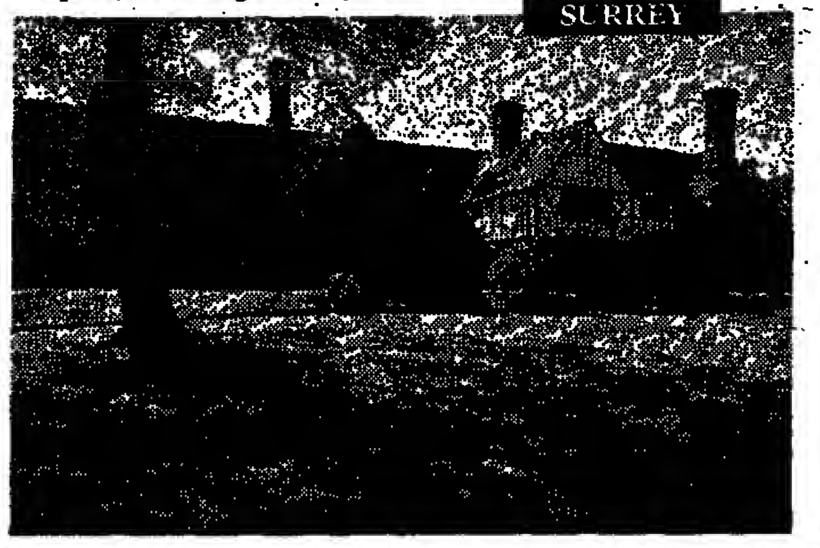
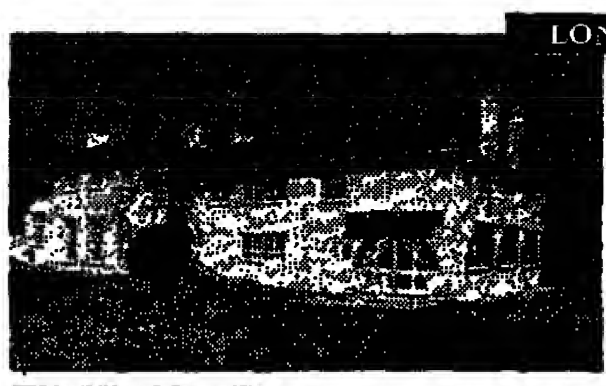
SURREY



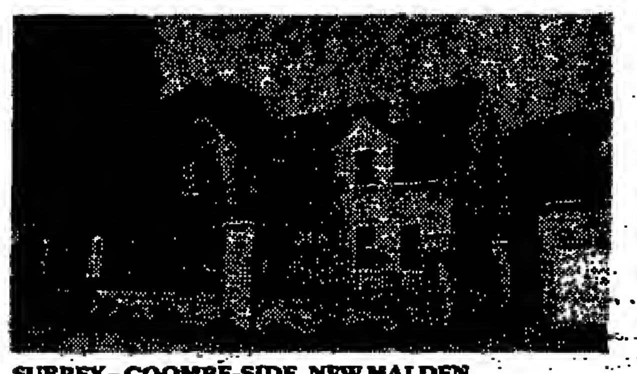
SURREY – ST GEORGE'S HILL
An important country house, totally secluded within 6 acres on this most prestigious estate only 30 minutes from the West End. 4 receptions, leisure rooms, (currently recording studios), principal bedroom suite with 7 further bedrooms and 4 bathrooms. Gate lodge comprising reception, kitchen/breakfast room, 2 bedrooms and bathroom.
Planning permission – the property is for sale with the benefit of outline planning permission for 4 substantial houses in the 6 acre grounds.
Hamptons, Esher Office: (0372) 68411 and London Office: 01-493 8222

SURREY – EAST HORSLEY
Luxuriously appointed family house. 4 bedrooms, 3 bathrooms, 3 receptions, kitchen/breakfast room, flatlet. Swimming pool, pool house and sauna. Gardens of 1 acre.
Substantial Offers Invited.
JSA: Hamptons, Guildford (0483) 572864 and Knight Frank & Rutley, (0483) 65171

LONDON



ST JOHN'S WOOD, NW8
A magnificent, detached, low built house, Grade II listed, dating back to the 16th Century. Boasting superb entertaining rooms and excellent family accommodation. Over 9000 sq ft set within ¾ of an acre of walled gardens. Marble entrance hall, triple reception area, lounge, dining room, study, kitchen/breakfast room, family dining room, master bedroom suite with dressing room, 5 further bedrooms including guest suite, 4 bathrooms. Staff bedroom and bathroom. Landscaped gardens. Garaging and off street parking.
Price on Application. Leasehold Hamptons, St. John's Wood Office: 01-586 5999



SURREY – COOMBE-SIDE, NEW MALDEN
Six detached 4 and 5 bedroom houses in private, secluded development close to 3 golf courses, BR station and local shops. The houses have 3 receptions, kitchens, en suite bathrooms, cloakroom, GCH, garages, off street parking and secluded gardens.
Prices from £399,500 Freehold.
Hamptons, Wimbledon Office: 01-946 0081

SURREY – GUILDFORD
A fine character house of generous proportions set in secluded grounds of 20 acres. 4 bedroom suites; 3 further bedrooms, family bathroom, billiard room, 5 receptions, kitchen/breakfast room, cloakroom. Garaging.
For Sale by Auction – 19th July
Hamptons, Guildford Office: (0483) 572864

BUCKINGHAMSHIRE

BUCKINGHAMSHIRE, MONKS RISBOROUGH
Grade II listed period barn, sympathetically renovated. Principal reception with full height vaulted ceiling and minstrels gallery, 2 bathrooms, cloakroom/shower room, kitchen/breakfast room, up to 5 bedrooms.
Freehold for Sale.
JSA: Hamptons, Great Missenden (02406) 3134 and Lane Fox, Princes Risborough: (08444) 2571

SUSSEX & KENT

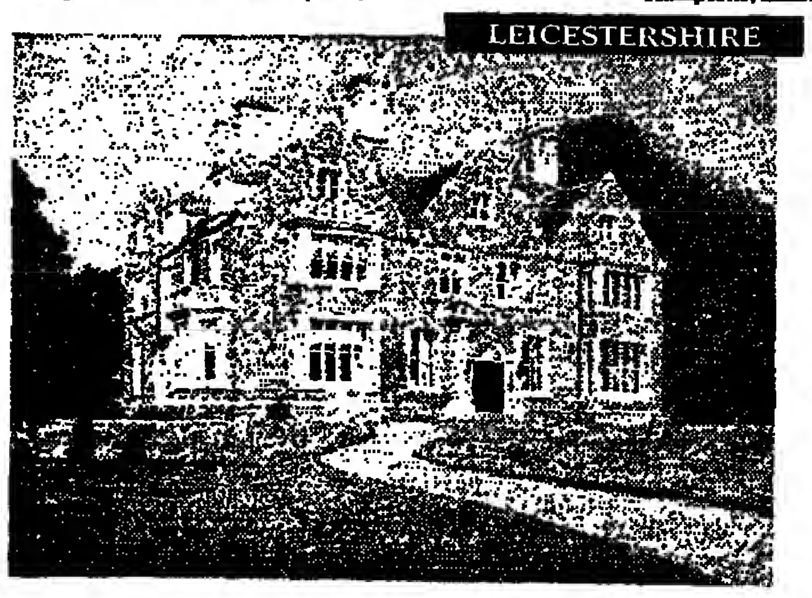
WEST SUSSEX – HORSHAM 7 MILES
A beautifully presented country house set in park-like grounds. 6 bedrooms, dressing room, 3 bathrooms (including self-contained flat), 3 receptions, luxuriously fitted kitchen/breakfast room. Substantial barn. South facing park walled grounds, in all about 3 acres.
Offers in excess of £450,000
Hamptons, Horsham Office: (0403) 211766

KENT – OTFORD, NR SEVENOAKS
Detached family home in attractive water garden setting on the River Darent. Reception hall, cloakroom, 3 receptions, kitchen/breakfast room, cellar, master bedroom suite, 4 further bedrooms, 2nd bathroom. Double garage. Delightful gardens.
Offers in excess of £300,000 Freehold.
Hamptons, Sevenoaks Office: (0732) 460222

SUSSEX – PULBOROUGH 4 MILES
Delightful 17th Century country cottage in a totally unspoilt rural location close to the River Arun. 4 bedrooms, 3 reception rooms. Outbuildings. Gardens and paddocks in all about 13 acres.
Price Guide £375,000
Hamptons, Horsham Office: (0403) 211766

WEST SUSSEX – WEST HOATHLY
Imposing stone built country house. 2 receptions, conservatory, kitchen/breakfast room, cellars, 4 bedrooms, 2 bathrooms. Tennis court. Garaging. Stables, tack room, menage, paddock. In all about 6½ acres.
Offers in excess of £425,000
Hamptons, Tunbridge Wells: (0892) 515464

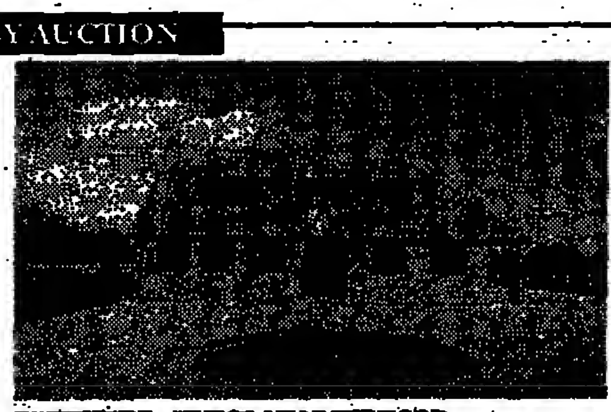
LEICESTERSHIRE



LEICESTERSHIRE/RUTLAND BORDERS
Uppingham 6 miles. Market Harborough *10 miles. (St Pancras 70 minutes).* Peterborough 27 miles (Kings Cross 47 minutes). A handsome superbly *restored Grade II Listed Hall.*
5 receptions, 5 bedrooms with bathrooms, sauna, further 5 bedrooms and bathroom. *3 flats.* Courtyard with garaging and stabling, menage, paddock. Attractive gardens – about 5 acres (further land may be available.
Hamptons, London Office: 01-493 8222 and Stamford Office: (0780) 57808

FOR SALE BY AUCTION

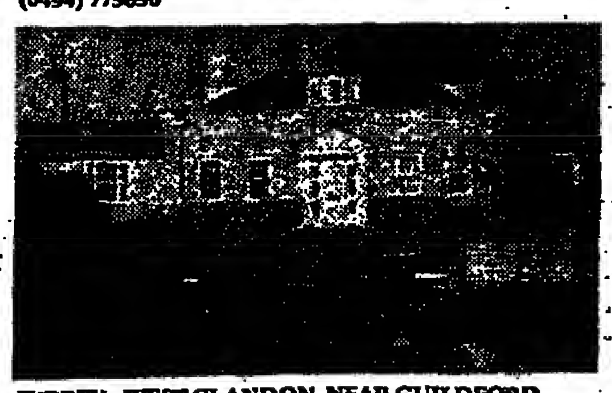
SOUTH BUCKINGHAMSHIRE – NR BURNHAM
Charming cottage forming part of the former Lodge to *Dropmore House.* 4 bedrooms, bathroom, cloakroom, 2 receptions, kitchen. Calor gas heating. Garage space. Gardens just over ⅓rd acre. Exposed beams.
Auction 26th June (unless sold)
Hamptons Auction Department: (06285) 27433 or Burnham (0628) 663596



BERKSHIRE – HURST, NEAR TWYFORD
16 acres. Recently completed, ideal for equestrian use. *Paddocks. 20 boxes. Stabling. Staff accommodation. Main* house with 4 bedrooms, 2 bathrooms, cloakroom, 3 receptions, kitchen. Garaging. Outbuildings.
Auction 26th June (unless sold).
Hamptons, Auction Department: (06285) 27433 or Maidenhead. (0628) 74433

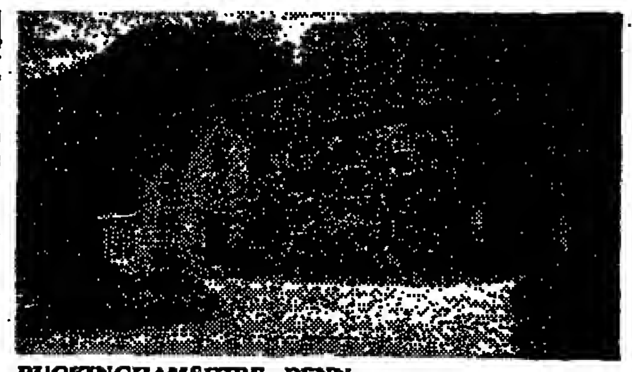
BUCKINGHAMSHIRE – OLD CHESHAM
Delightful detached period home in walled gardens. Some improvement required. 3 bedrooms, bathroom, 3 receptions, kitchen. Gas CH. Brick garage.
Auction 26th June (unless sold)
Hamptons, Auction Department: (06285) 27433 or Hamptons Christopher Rowland, Chesham: (0494) 775650

BUCKINGHAMSHIRE – BEACONSFIELD
Substantial detached house together with a building plot of about 0.6 of an acre set in *total grounds of about 1.3* acres. 8 bedrooms, 3 bathrooms, 3 receptions, kitchen, utility. Garaging. Outbuildings. Gas CH.
Auction 26th June (unless sold)
Hamptons, Auction Department (06285) 27433 or Hamptons, Beaconsfield: (0494) 677744



SURREY – WEST CLANDON, NEAR GUILDFORD
Distinctive modern residence of the finest quality. 4 bedrooms, 3 bathrooms (including 2 ground floor suites), 3 receptions, loggia, kitchen, studio/glass house, workshop. Garaging. *Gardens of about ¼ of an acre.*
Auction 29th June. Price Guide £375-400,000
Hamptons Messenger May, Guildford Office: (0483) 502222

SURREY – CHERTSEY
In glorious park-like grounds of over 1 acre, standing on the original site of Chertsey Abbey once the burial ground of Henry VI, the major portion of a handsome Abbey *mansion house.* 4 bedrooms, bathroom, *3 receptions,* loggia, 2 room cellar, kitchen, utility, hall. Garaging.
Auction 29th June. Price Guide £250,000
Hamptons Bridgers, Weybridge Office: (0932) 856736



BUCKINGHAMSHIRE – PENN
A large family house in wooded grounds of 2 acres close to the town of Beaconsfield. 5 bedrooms, 3 bathrooms, 4 reception rooms. 2 garages. Tennis court.
Offers invited for the Freehold.
Hamptons, Beaconsfield Office: (0494) 677744

EAST ANGLIA

WEST SUFFOLK – *BURY ST EDMUNDS 3 MILES*
Substantial, fully restored early Victorian country house enjoying elevated position overlooking village green. 3 receptions, kitchen/breakfast room, cellar, cloakrooms, 5 bedrooms, 2 bathrooms (1 en suite). Outbuildings. Gardens, orchard & paddock – approaching 6 acres in all.
Region £350,000. Ref B3309
Hamptons, Bury St. Edmunds: (0284) 767338

SUFFOLK – NEAR LAVENHAM
Glorious timber framed cottage in picture book village of Chelsworth, having river frontage to the Brett. Immaculate order with CH. Porch, 2 receptions, hall, kitchen, 2 bedrooms, bathroom. Garage. Very pretty ½ acre gardens and 1 acre paddock.
£190,000. Ref B3305
Hamptons, Bury St. Edmunds Office: (0284) 767338

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TRAVEL

TRAVEL BUSINESS

Surcharge fears

SURCHARGES, THE scourge of the travel trade last summer, have made an unwelcome reappearance for many holidaymakers. The good news for most Britons planning their summer holiday, however, is that the majority of package tours this summer – especially those to the Mediterranean – are unlikely to attract them.

Most of the major tour operators have made firm commitments not to impose surcharges this year. "We planned ahead to enable us to guarantee no surcharges until the end of April next year," says Charles Newbold, managing director of Thomson Holidays, Britain's biggest tour operator.

But some holidaymakers have already been told by their tour operator that they will have to pay extra on the holiday price agreed at the time of booking – and many more will be notified in the next few weeks.

Some 19 tour operators have asked permission from their trade association, the Association of British Travel Agents, to impose surcharges this summer. Trade estimates suggest that at least another 50 could do so within the next few weeks.

Most of the operators imposing surcharges at this stage of the holiday season are long-haul specialist travel companies such as Speedbird and Kuoni. Surcharges imposed are understood to be up to 6 per cent of the price of the holiday which, because of the higher cost of long-haul, are proving quite expensive. Some reports suggest surcharges of up to £80 per person have been levied.

The re-emergence of surcharges this summer is another blow to the credibility of Britain's package tour industry. Last summer surcharges, airport chaos, and falling standards of some packages led to a general disenchantment among consumers with traditional holidays in the sun. Bookings this summer are subsequently 10 per cent down on last year's levels.

This year the travel industry has seemingly learnt little from the public relations blunders of the past. Scant explanation has been forthcoming from the trade as to why surcharges have suddenly been imposed, apparently just when the US dollar has gained in strength in comparison with sterling.

In fact, the surcharges now being levied are a result of oil price rises earlier this year which have filtered through to aviation fuel prices. Airlines have been quick to pass these rises on to tour operators.

The strengthening of the dollar in recent weeks, moreover, has exacerbated this trend, not only because aviation fuel is generally priced in dollars but also because other costs, such as hotel accommodation, become more expensive.

Tour operators, however, are restrained from just passing on all extra charges to their customers. The furore over surcharges last summer prompted the intervention of the Office of Fair Trading which investigated the surcharge process.

To forestall any formal Government regulation on the travel industry, ABTA agreed a new auditing process for surcharges to validate their authenticity. ABTA members also agreed to absorb the first 2 per cent of any surcharge and, if the surcharge reached 10 per cent of the cost of the holiday or more, then customers could cancel the holiday without any penalty payment.

Many of the large tour operators sought to guard against having to surcharge at all this year by buying dollars on the forward exchange markets. In addition, package holiday prices were increased by about 4 per cent on average this year to increase tour operators' profit margins and as a cushion against rising costs.

The size of the surcharges coming down from the airlines, however, have been larger than most travel companies expected. Those operators with no-surcharge guarantees will certainly find profit margins eroded.

Before the summer is out many more holidaymakers will have the edge taken off their holiday plans by having to pay more before they go.

David Churchill

Monsieur Hulot is alive and well

***Geoffrey Weston** revisits Brittany and insists on guarding one of its secrets*

THE OVERNIGHT train from Paris rattled to a halt in Vannes just after dawn. Our luggage – six large suitcases, three bicycles and an aged, collapsible bedstead of immense weight – was strapped to the roof of an equally rattly bus for the 50-minute journey through a string of Breton villages. From the little town of Sarzeau the lane wound on through the hamlet of Arzon (where I first learned to ride on one of the bicycles) and ended at a fishing village called Port Navalo. It was the sizzling summer of 1949.

Last September I went back, this time by car via St Malo. Sarzeau looked much the same, but the lane to Arzon, now a smart new town, has become a stretch of dual carriageway. Port Navalo has gone upmarket with a discreet grove of holiday homes in their own gardens, though the little Hotel de la Plage was exactly as I remembered it – a faded set-piece from *Monsieur Hulot's Holiday*.

I even found the tatty little cottage where I spent five weeks with Madame and her small son to improve my French. It looked almost the same, as was the handsome village pump near by – our only source of water – and the stone-walled fish market, where at night the accordians came out and we danced the *paso doble* with the local crumpet.

Brittany has changed remarkably little over those years. There are no motorways, and just one busy main road skirts the coast all round the peninsula. Away from it, even though we had only just escaped the main holiday season, traffic was very light and for long stretches almost non-existent.

On the other hand, bright new industrial estates on the edges of towns are strong enough evidence that Brittany has, after centuries, thrown off its image as a wild, neglected and backward place. Early this century the only fashionable resorts were Dinard, beautifully sited on the north coast but now a staid old lady, and La Baule in the south, which, despite some trendy shops and a magnificent sandy beach, has slipped downmarket.

To have ventured further into the province's heartland was, I suspect, long regarded as infra dig for civilised people, but today the priorities are reversed. The once sleepy walled centre of Vannes is now pedestrianised, and many of its well manicured half-timbered buildings house chic boutiques, offering everything from gourmet food to designer toothbrushes. I had a fleeting memory of the 15-year-old maid who had cleaned the cottage years ago. Her teeth were falling out: she had never heard of toothpaste.

Nearby Auray has a smaller historic core, more picturesquely sited on a river of the same name. Both towns are starting points for boat excursions around the fascinating inland sea known as the Gulf of Morbihan, with its outlet at Port Navalo. I first explored it at night with two lobster fishermen. Now you can take a sybaritic cruise and dine off a gastronomic menu as you gaze through panoramic windows.

Most travellers venturing as far as Finistère feel bound to take in the Pointe du Raz – France's Land's End, and almost a carbon copy of it in visual terms. It is worth the trip, not least because it is likely to take you via Quimper, my favourite Breton town and the nearest thing to a provincial capital. Quimper has a fine medieval walled centre with much crooked half-timbering, good shops and a Breton faience (decorated earthenware) factory.

It was once the capital of confusingly-named Cornouaille, an ancient kingdom covering much of ancient Brittany and founded by King Gradion. The equestrian statue of the king, perched giddily between the fine Gothic spires of the cathedral, was the focal point of a great annual festival in his honour.

A man would climb up the cathedral behind the king's statue, tie a napkin round the king's neck and offer him a glass of wine. He would then down the glass himself, wipe the king's lips with the napkin and hurl the glass into the square below. Anyone who caught the glass intact could claim a prize of 100 gold ecus, but to save money the town council is said to have made sure that the stem of the glass was partly sawn through. Sadly, this jollity ended in the 18th century.

Rue Gueodot in Quimper which has a fine, medieval, walled centre

Quimper, although not on the sea, is a good touring centre. Just to the south is Bénodet, a small, sheltered sandy resort and one of the most appealing in Brittany. Northwards is Locronan, a bit Clovelly-ish today, though its once prosperous sailcloth industry has left a rich legacy of Renaissance houses, many of which are now craft shops and restaurants. South east is Concarneau, a busy fishing port with a picturesque walled islet in its harbour.

Apart from the old towns, memories of Brittany tend to dwell on the beauty of its deeply broken coastline, which inevitably evokes Cornwall. Inland, the countryside and villages compare, in my view, less favourably with England's south west. The thatched roofs of many of the cottages remain uncombed, as though they have just got out of bed after a heavy night out. But the granite churches, and particularly the unusual richness of their carved calvaries outside, are still justifiably the pride of many villages, while a touch of the old wildness can still be found in nature reserves such as Parc d'Armorique, a vast area of natural beauty.

Gastronomically, Brittany is a different story to Cornwall. Oysters, crustaceans and both sea and river fish are among the best and freshest anywhere. You can hardly take five paces in a Breton town without finding a *crêperie*. As well as serving sweet pancakes, *crêperies* serve very thin savoury ones made with buckwheat flour and a delicious choice of fillings. By a stroke of luck we stumbled across Brittany's leading cider-maker in a lane on the edge of La Forêt Fouesnant and carried off the very last bottles of his harvest.

As for restaurants, La Belle Epoque in Châteaulin – elegant and almost empty on our visit – has, amazingly, not yet won an entry in the usual guides. I shall not forget the menu at FFr65 (£6.30), which included a delicate marbled terrine of rabbit with chestnuts and wonderful vegetables, such as courgettes peeled into spaghetti strips, sautéed and then tossed in a sherry-based dressing, as well as an inspired mousse of carrot and beetroot.

In our last days we spoilt ourselves with a stay at the sumptuous Château de Locguénolé, idyllically placed in its own wooded park sloping down to a river. It has one of the best restaurants in Brittany with a menu of gloriously rococo fantasies, impossible to do justice to here.

It was one of those rare establishments that proved impossible to fault. Two establishments of similar character, although not quite in the same class, are the peaceful Manoir de Moellien, near Locronan, and the Château de Coatguelen, a turreted gem near Paimpol, convenient for the Roscoff-Plymouth ferry.

For me, the most appealing part of Brittany unfolded a few hours before our return to England. The remote stretches of the Coast of Rose Granite, largely deserted despite beaches of fine clean sand, have a rare beauty of their own. For the moment, the little hotel in the perfect spot that we found there is going to remain my secret.

TRAVEL/MOTORING

Travel

Hit the saddle and head for the hills

Rod Oram and his wife go cycling through the Colorado Rockies

ONLY ONE thing was a *touch tender after* cycling 440 miles through the Colorado Rockies. Our pride was chaffed by the quizzical comments of friends who thought us abnormal – mentally for trying it and physically for succeeding.

Returning home tanned and still smiling, my wife Lynn and I couldn't work out why no one was envious. Why wouldn't *they* want to see some of America's grandest mountain scenery from a cycle seat?

Perhaps they confused us with true loonies: riders in the annual Race Across America who streaked past us at the top of Berthoud Pass. These incredible athletes had started out, like us, four days before. We had covered some 320 miles from northwest Colorado, including a slow 20-mile, 3,000-ft climb up the pass. They had ridden 1,300 miles from San Francisco.

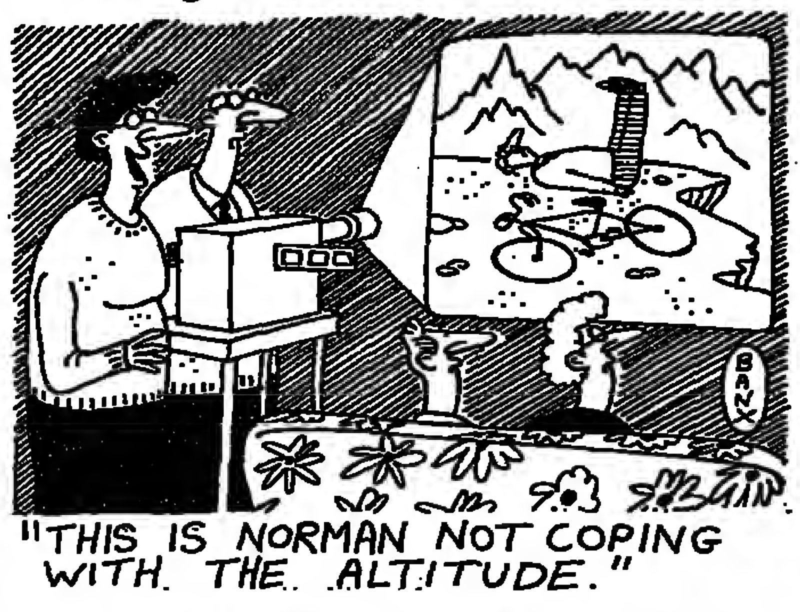
We stopped on top for an hour or so to bask in the sun amid snow-spangled peaks. They breasted the 11,300 ft high crest and plunged down the other side. They would not stop until late that night in Kansas.

With the clock running continuously, they grabbed no more than 90 minutes sleep each day. For the rest of the time they pedaled possessed. The winner, already a day ahead of the racers we saw, was to cover the 3,300 miles to Washington in eight days, nine hours.

We, though, were strictly tourists. Manhattan escapees intent on savouring the alpine air and scenery. The terrain is quite different from anything in Europe. Unlike, say, the tightly-packed Swiss Alps, the Rockies sprawl either side of North America's watershed. Towering ranges, some more than 14,000 ft high, are often separated by huge alpine plateaus or by broad valleys.

The passes are no rollercoasters, though, and we climbed about 18,000 ft on our tour. Some afternoons tremendous electrical storms engulfed the raw rock peaks several thousand feet above the timberline. One day, soaked to the skin and deafened by the thunder, we plunged 2,200 ft and 18 miles down Fremont Pass in 45 minutes.

We had not always been as confident as we were at Berthoud Pass. The idea of the trip seemed wonderful from an armchair during a dark Manhattan winter: a seven-day cycle through the arid western slope of the continental divide, the near-desert of the Colorado River valley, lush pine-clad valleys and green pastured parks. But could we really cycle for hours on end at hot, dry, high altitude?



Of course we could, said our Colorado friends Kathy and Steve Miller. *They invited us to* join them – and some 2,000 other cyclists – on the *Denver Post's* third annual Ride the Rockies tour. The Millers assured us that we would be spaciously strung out along the route, everyone riding at their own pace.

In addition to lots of company, we had ample logistical support. Cyclists who, through injury or tiredness, were unable to complete a day's journey covered the final miles in a fleet of minibuses called sag wagons. (We rode every inch of the way).

Breakdowns were speedily repaired by mechanics from Denver cycle shops who charged only for parts, not labour. Aid stations offering food, drink, shade and toilets – simple are a cyclist's needs – were set up every 20 miles or so. Baggage was carried in a pair of huge trucks. For all this, the *Post* only charged each rider $90 (£60), $75 to subscribers.

Food and lodging were extra but could cost very little. Each night the tour pulled into a new town, taking over the local high school. Riders could *camp* free indoors in the gym or outdoors on the football field, while the tennis courts made excellent bike pens. Old softies like us, who needed a whirlpool bath and a good bed to restore tired muscles, checked into local hotels.

Small towns we stayed in, such as Craig, Steamboat Springs, Frisco, Granby and Idaho Springs, were immensely hospitable. They laid on cheap food and street parties to which the locals flocked.

Only Vail, the magnificent but self-important ski resort, could not have cared less. Things turned nasty when the police tried to enforce the town's laws against drinking outdoors. We had cycled 100 miles that day in temperatures over 90 degrees. We were not about to be denied our just reward.

Vail aside, the rest of the tour was delightful. The best was last. From the top of Juniper Pass we swooped down 5,500 ft to the town of Golden. Barely pedaling *those* final 30 miles, we felt like Tour de France heroes as we swept across the finish line to the cheers of hundreds of spectators, the music of a local marching band and the biggest party of all.

So we lived to tell the tale. Obviously, being fairly fit and well equipped were essential. Our bikes were medium-priced light-weight touring models. Mine was the same 15-speed I use daily around Manhattan. Lynn's was an 18-speed, the lowest "granny" gear letting her wind her way up passes at a steady 4 mph or so. The steepest gradient we encountered was only about 1-in-15.

Our short daily rides around New York contributed little to our fitness. Our main preparation came in 10 or so 50-mile days in hilly countryside nearby in the previous six weeks. We met one young New Yorker who had done all his *training on an exercise bicycle* in his apartment, flew to Denver, borrowed a bike and completed the tour in fine style.

Colorado's altitude gave us no trouble. With low gears we were never out of breath. The worst I felt was staggering out to the truck each morning with a couple of heavy kitbags. But the high altitude can pose a problem for some. Even the very healthy can feel awful *stepping off the plane at mile-high* Denver. However, good overall fitness and two or three days of acclimatisation in Denver, or higher up, should be enough for most.

The *Post* ride is now so popular that places are filled by lottery. The next chance is the 1990 outing. Otherwise, a number of travel operators offer accompanied tours.

The adventurous might want to organise their own with the help of the Colorado Department of Tourism and various US clubs.

■ Useful addresses: The Denver Post Colorado Bicycle Tour, 650 15th Street, Denver, CO 80202 (send a stamped addressed envelope).

Ms Deborah Milo, director of public relations, Colorado Department of Tourism, Suite 1700, 1625 Broadway, Denver, CO 80202.

League of American Wheelmen, PO Box 988, Baltimore, Maryland 21203.

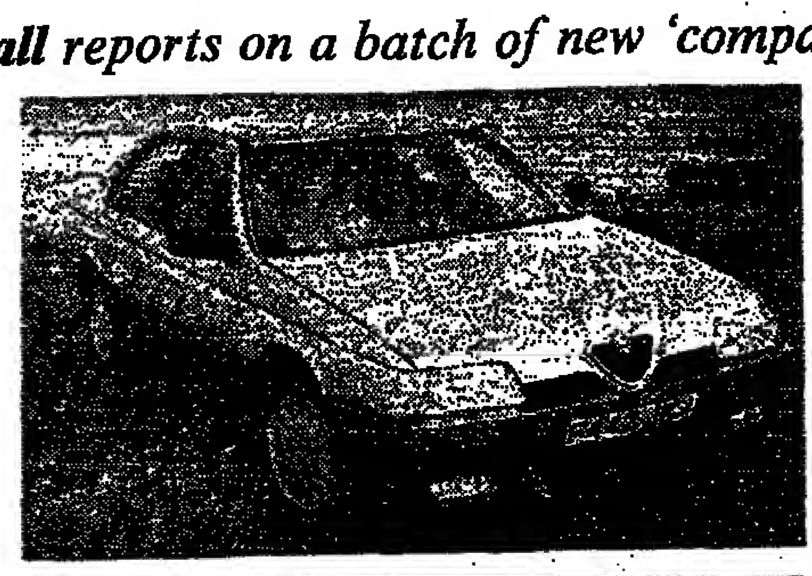
Timberline Bicycle Tours, 3261 South Oneida Way, Denver, CO 80224.

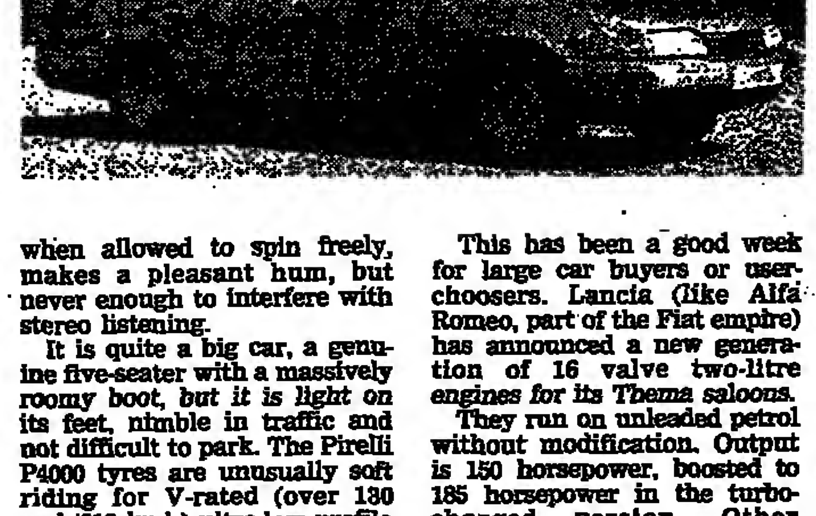
Backroads Bicycle Touring Inc, PO Box 1626, San Leandro, CA 94577.

Motoring

Alfa's automatic success

***Stuart Marshall** reports on a batch of new 'company car' models*





Left, the Alfa Romeo 164, complete with 185 horsepower, fuel injected, electronically managed three-litre V6 engine. Automatic transmission strengthens the appeal of this Italian thoroughbred to the British business motorist. Middle, Lancia has tidied up the Thema saloon. All models are now powered by new generation 16 valve, two-litre engines. Bottom, the Hyundai Sonata: a big car for private motorists at the price of a good second-hand Vauxhall Carlton or Ford Granada.

THE ITALIANS don't like automatic transmission very much. It's all to do with the male driver's macho image. He fears it may suffer if his hand does not rest on the gear lever, shifting the cogs dextrously for himself.

There is a similar feeling in Britain, at the Ford XR3i and Golf GTi level at any rate, but when it comes to executive cars, the automatic rules. That being so, Alfa Romeo (GB) reckons that, in a full year, at least 60 per cent of the Type 164 saloons it will sell to the company car market in Britain will have two pedals, not three.

The five-speed manual 164 is a lovely car, but for me the 164 automatic which has just been added to the range is better. Its 185 horsepower, fuel injected, electronically managed three-litre V6 engine and the German ZF four-speed automatic gearbox could have been made for one another. The Italians, I reckon, don't know what they are missing, as they inch their manual 164s through the traffic jams of Milan, Rome or Turin towards the relative freedom of the autostrada.

Has the automatic transmission curbed the manual model's tendency to spin its front wheels under hard acceleration in first and second gear on wet roads? I cannot be sure, because the weather was dry when I drove a two-pedal 164 to Paris and back a few weeks ago, but I suspect it has.

From a standstill to whatever speed one's conscience allowed, the automatic 164's power flowed as smoothly as double cream pouring on to strawberries. Alfa Romeo says it is good for 139 mph/224 kmh and 0-60 mph (0-96.5 kmh) acceleration in 8.3 seconds.

I am sure it is right. But, unless you are on a deserted autobahn, who really cares? Not me, nor, I suspect, the business executives whose companies will buy or lease them a £19,775 164 3.0 V6 automatic or the mechanically identical but more elaborately equipped Lusso at £22,130.

The truth is that Alfa Romeo is entering a different market with the 164. Past associations of the marque have been with wood-rimmed steering wheels, engines howling musically up to high revolutions, gear levers working in plated, visible gates.

Today, the 164 must appeal to the business motorist who has never contemplated an Alfa Romeo before. He (or she) is prepared to consider one as an alternative to a BMW 5-Series, Mercedes 200/300, Rover Sterling, Ford Scorpio or Vauxhall Senator.

In the recent past, Alfa Romeos have not been renowned for reliability or rust resistance. The 164, though, is said to be at least as good as its class rivals in these respects. It is sold with a three-year unlimited mileage mechanical and six-year anti-perforation corrosion warranties.

Some sportiness will not be objected to and may even be an added attraction – but only if the car is comfortable, quiet and smooth riding. The 164 is all these things and the engine, when allowed to spin freely, makes a pleasant hum, but never enough to interfere with stereo listening.

It is quite a big car, a genuine five-seater with a massively roomy boot, *but it is light on* its feet, nimble in traffic and not difficult to park. The Pirelli P4000 tyres are unusually soft riding for V-rated (over 130 mph/210 kmh) ultra-low profile radials but have all the cornering grip one can responsibly use and good steering response.

Because the ZF automatic transmission is mechanically locked in top, and partially so in third, *fuel economy is good*. The close to 26 mpg (10.86 l/100 km) I achieved over 800 miles, mainly of motorway cruising, was better than I had expected. Leaded or unleaded petrol may be used.

Equipment on the V6 3.0 includes ABS brakes, reach and tilt adjustable steering, power operated front seats, door mirrors and windows and a six-speaker stereo. The Lusso also has power adjusted rear seats, a compact disc player and air conditioning.

This has been a good week for large car buyers or user-choosers. Lancia (like Alfa Romeo, part of the Fiat empire) has announced a new generation of 16 valve two-litre *engines for its Thema saloons*.

They run on unleaded petrol without modification. Output is 150 horsepower, boosted to 185 horsepower in the turbo-charged version. Other changes include the option of the same ZF automatic as the Alfa Romeo 164, improved suspension, brakes and noise suppression and more zinc coated steel in the body.

The two-litre Thema turbo is *said to outperform the three-litre* Alfa Romeo 164, with a claimed 140 mph/225 km maximum. Prices range from £14,500 for a two-litre manual to £20,512 for a SE Turbo. Power operated front seats are a £500 extra, ABS brakes £1,500, air conditioning £1,000 and leather upholstery £1,000.

Both the Alfa Romeo 164 and Lancia Thema are two of four quadruplets – the others are the Saab 9000 and Fiat Croma. This is not to say they are more or less identical twins, but they were conceived together and share quite a few body panels and some mechanical components.

They are not all that similar in character, though. Indeed, I can see the makings of an identity crisis for Alfa Romeo and Lancia. Is Alfa or Lancia the sporty member of the family?

Which is the more luxurious of the two? Not long ago I would have had no doubt. Now all I can say is: "Pass."

This week's third new arrival in the large car class, the Hyundai Sonata, is neither sporting nor luxurious. Its appeal is more basic: uncommonly good value for money.

Few company car users would choose a Sonata even if their employers let them, though it could be the toast of many a station taxi proprietor. Most buyers will, I suspect, be genuine private motorists who would normally settle for a second-hand Granada or Carlton but now see the chance of having a brand-new car for much the same outlay.

Prices start at a quite remarkably competitive £9,499 for a manual 1.8 litre and peak at £13,697, which buys the top of the range 2.4 litre automatic.

No-one asked me what it was when I had a Sonata two-litre GLS manual on pre-announcement test, but I reckon that was probably because they thought it was a Vauxhall Carlton. The smooth, rounded styling is similar to the Carlton but the Sonata has a transverse engine and front-wheel drive, not the classic rear-drive layout of many big cars. This must be one reason why it is so roomy inside and has such a large boot.

At higher speeds the engine can be a bit noisy but it pulls so well there is no need to let it spin fast. On a brisk main road journey to the West Country I rarely needed to come out of top gear. A consumption of 32 mpg (9.4 l/100 km) of unleaded petrol was the result.

Clutch and gearshift were effortless, the power-assisted steering almost too light, because the Sonata has inclined to fidget in a strong motorway crosswind.

From the driving seat, one would never mistake the Sonata for a large German car, as one would a Vauxhall Carlton or Ford Granada; it feels too light. But the panels fit well, the seats are firm but comfortable and it is fully equipped. At prices at least 20 per cent lower than those of its competitors, who is complaining? Not, I reckon, the typical Sonata buyer.

GTi-eater unveiled

VOLKSWAGEN'S fastest car to date, the 132 mph/212 kmh Corrado sports coupe (right) will be in British showrooms at the beginning of July.

With a 16 valve, 136 horsepower 1.8 litre engine it will cost £16,699. It is much the same mechanically as a Golf GTi 16V and may appeal to users who find the GTi's image is not what it used to be because it has simply become too popular.

A supercharged 160 horsepower version of the Corrado is being offered in July with left-hand drive at £19,338 for buyers who cannot wait for the right-hand drive due here next year

The Corrado – front-wheel driven and power steered – is a reasonably practical four seater with plenty of luggage space, extendable by lowering the asymmetrically split rear seat.

A special feature (or amusing gimmick) is an aerodynamic spoiler which an electric motor raises automatically at speeds of more than 45 mph/72 kmh. It is said to reduce aerodynamic lift on the rear wheels by up to 64 per cent, though this might be relevant only at the kind of motorway speeds that make sirens sound. On Corrados sold in Germany, the spoiler doesn't go up until 75 mph/120 kmh.

Options include an electric sunroof (£578), power windows (£578) and leather upholstery (£1,333).

Chess

ONE OF THE ultimate achievements for any leading British chess player is a victory over a reigning world champion. Despite our successes in the candidates eliminators and the biennial olympics, such individual tournament wins remain exceptionally rare. So far this century there have been only four such games: Penrose v Tal 1960, Miles v Karpov 1980 and 1983, and Short v Kasparov 1986. Short has also beaten Kasparov twice at quickplay time rates, but their recent encounters have run decidedly in the champion's favour.

Barriers to success are partly *lack of opportunities, but* are mainly technical and psychological. Some world champions, notably Capablanca, Karpov and Kasparov, *have* very low percentages of defeats. To outplay them requires a major innovation – Miles' 1 P-K4, P-QR3 against Karpov or Penrose's special line against Tal's Benoni – or hustling them out of their measured stride in the middlegame.

Joseph Blackburne, the most prominent British player a century ago, was notably successful in terms of individual tournament wins against the elite of his time. He beat Lasker twice, and scored numerous full points against Steinitz, Zukertort and Tchigorin. True, he had his fair share of defeats, while in matches Blackburne was far weaker, going down 2-8 to Lasker and 0-7 to Steinitz.

Blackburne's good results against the super-GMs of the 1890s reflected his attacking style and positive approach with the black pieces. In both his wins over Lasker he chose the apparently passive Steinitz Defence to the Ruy Lopez but quickly conjured up decisive king's side attacks. Lasker was himself known as the great pragmatist in playing the man as much as the board, but in this week's game he is rattled into errors.

White: Dr. E. Lasker.
Black: J.H. Blackburne.
Ruy Lopez (Hastings 1895).

1 P-K4, P-K4; 2 N-KB3, N-QB3; 3 B-N5, P-Q3; 4 P-Q4, B-Q2; 5 N-B3, PxP; 6 NxP, NxN; 7 QxN, BxB; 8 NxB, N-K2; 9 O-O, N-B3; 10 Q-B3, P-QR3; 11 N-R3, Q-B3; 12 Q-QN3?

This game was played in the penultimate round, with Lasker half a point behind the leader, so he avoids 12 QxQ. By 1914 he was older and wiser, and in a similar situation against Capablanca at St Petersburg he exchanged queens and won the ending.

12 ... O-O-O; 13 P-QB4, R-K1; 14 R-K1, Q-N3; 15 B-Q2, B-K2; 16 Q-B2, B-B3; 17 QR-N1, B-Q5; 18 P-QN4, N-K4; 19 R-K2?

White has played nervously while Black has built up his king's side forces; now comes this blunder after which Lasker is lucky to survive another 20 moves.

19 ... N-B6 ch; 20 K-R1, NxP?

This wins a pawn (21 KxN, Q-R4 ch and QxR) but also suggests that Blackburne can hardly believe his luck and fails to analyse precisely. Instead 20 ... Q-R4; 21 P-R3, N-N8! 22 R(2)-K1, NxP; 23 PxN, QxP ch; 24 K-N1, R-K3 would probably have made this the quickest-ever British win over a world champion.

21 B-B4, N-N5; 22 B-N3? B-K4?

Another mutual oversight. White should have played 22 R-N3 while Black could have won by 22 ... Q-R4 ch; 23 K-N1, R-K3; 24 R(2)-K1, BxP ch! 25 BxB, Q-R7 ch; 26 K-B1, R-B3.

23 Q-Q3, BxB; 24 QxB, N-B3; 25 Q-R3 ch, K-N1; 26 P-B3, N-R4 (better R-K4); 27 R-Q2, R-K4; 28 K-N1, N-B5; 29 Q-R4, N-K3; 30 R-Q5, N-N4; 31 Q-N3, RxR; 32 BPxR, P-KR4; 33 P-N5, P-R5; 34 Q-R4, P-R6; 35 NxP, P-B6; 36 R-N2, PxP; 37 RxP, N-R6 ch; 38 K-B1, Q-B3 (better Q-B3); 39 P-K5, PxP (if QxP; 40 QxP); 40 R-B2, P-K5; 41 KxN, Q-R8 ch; 42 K-N2, PxP ch; 43 K-N3?

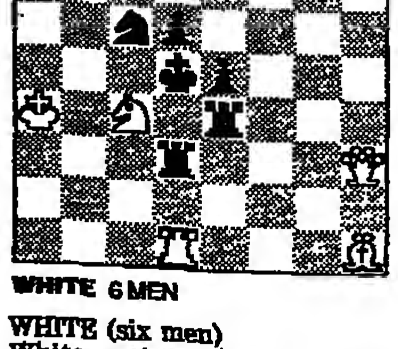
Blackburne made heavy weather of winning; and here Lasker could have kept up a long fight in a queen ending a pawn down by 43 QxP, Q-N7 ch; 44 K-N3, RxR ch; 45 KxR, QxN; 46 QxP ch. Instead Lasker drops two more pawns and gives up at once.

43 ... Q-K4 ch; 44 KxP, QxP ch; 45 Resigns. If 45 K-N3, RxR ch; 46 KxR, QxN; 47 QxP, Q-B8 ch with Q-B7 ch and QxRP.

PROBLEM No. 776

BLACK (six men)

BLACK 6 MEN



WHITE 6 MEN

WHITE (six men)

White mates in two moves, against any defence (by J.M. Rice and M. Lipton, Problem 1957). The Black forces are arrayed in the form of a provocative question mark, and on previous publications, many readers phoned or wrote to claim an error in the answer. So the double puzzle is to find both the solution and the optical trap.

Solution page XXV

Leonard Barden

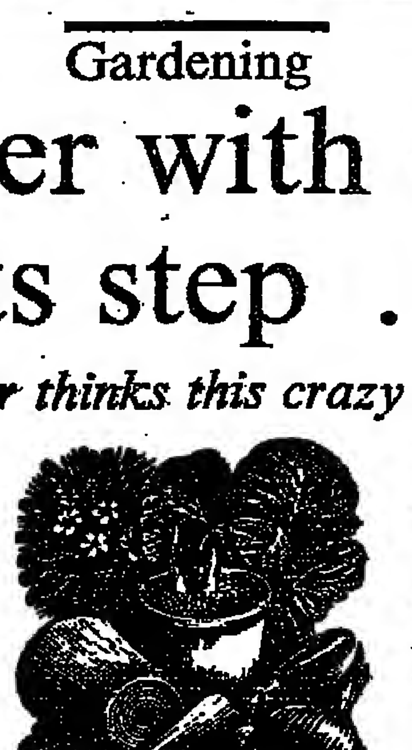
DIVERSIONS

Gardening

Summer with spring in its step . . .

***Arthur Hellyer** thinks this crazy season is fun*

I CANNOT recall a year when plants in the southern half of Britain have been so far ahead of normal calendar expectations. By the end of May, summer flowers were becoming mixed up inextricably with those of spring, roses blooming alongside rhododendrons, delphiniums spearing up through wallflowers, lupins with azaleas, mock orange and honeysuckle mingling their perfumes with the less agreeable odour of early-flowering broom.



I even met a lady during Chelsea week who assured me that herbaceous phloxes were blooming in her garden. That, she felt, was carrying things a bit too far. Phloxes were for August; and if they were flowering now, what would be left then?

I could understand her concern but, personally, I find it all rather entertaining. Certainly, it is posing a lot of questions about how to treat these out-of-season plants, but I am sure there is no need to fear that gardens will be short of flowers by the end of the summer. All the fashionable bedding-out flowers will take care of that, for they are having a whale of a time and some of them would never stop flowering given sufficient warmth and light. But I do not think we shall have to rely entirely on them. There are plenty of hardy, or near hardy, plants that are quite capable of taking advantage of such a favourable start provided they are given a little encouragement.

Primarily, that means extra feeding and extra water unless sufficient comes naturally out of the clouds — and, already, there are indications that this might well happen (I am not one of those who subscribes to the view that this is to be another long, hot summer like 1976). But if the rain is not sufficient water will need to be supplied, since plants have made heavy demands on the soil already and it is no use giving them extra food of any kind, natural or artificial, without sufficient water to dissolve it and make it available. Lucky are those who have wells that do not dry out.

I would expect lupins and delphiniums to give a better-than-average second flowering this year provided the present lot of flower spikes are cut before seed pods begin to swell. That is also true of roses, for even the genuinely repeat-flowering varieties are apt to get the wrong signals if tips start to form.

This is really a very basic rule of good gardening, but not quite the same treatment suits everything. With many plants, including rhododendrons and azaleas, it is sufficient to break off the faded flower trusses. With roses, something a little more drastic is required; cutting off several inches, perhaps a foot or more, of flower stem to get back to strong growth buds or, better still, to new shoots starting to grow already.

With delphiniums and lupins even greater severity is needed, cutting out the old flower stems a few inches from the base — but always with care in order to retain any good basal leaves there may be. One must hit the method to suit the growth pattern of the plant.

I think that a lot of nearly hardy plants are going to have a good time this year. Certainly, my fuchsias have rarely been more promising, already full of flower and making plenty of new growth to keep the display going except for a few plants that have become too dry and are suffering on that account. Hebes of all kinds should do well and keep on flowering. There is no doubt at all that marguerites are loving it and so are penstemons, pansies and violas.

And as to the real summer bedding plants — the geraniums, petunias, marigolds, salvias, antirrhinums, begonias, impatiens, dahlias and all the rest — rarely have they got off to a better start and I look forward to enjoying most of them until mid-October.

Of course, it is not all joy. Weeds and pests have enjoyed the exceptional warmth and sunshine as much as plants and, in common with other gardeners, I have had to spend a great deal of time weeding. I have found in the tool shed an old hoe of the Sproughton type, but with a short handle. The blade cuts both on the push and the pull, it can be used with one hand and, working on hands and knees as is my custom, it is completely deadly.

I cannot recollect where I got it, which it is not surprising since that must be 20 years ago. Nor can I understand why I have not appreciated its worth before. It is possible, because the handle is attached centrally to the blade, to hook this around tough weeds, even young brambles, and either drag or cut them out. Perhaps it is still being manufactured and I have missed it. If so, I will be glad to know.

Wild simplicity with a poetry of its own

***Robin Lane Fox** on the refreshing naturalism of Dorothy Wordsworth's approach to the garden*

"JUNE 3: the oak copses are brown, as if in autumn, with these late frosts. The ashes are coming into full leaf, some of them injured."

It is reassuring to know that our recent combination of night frost and dry summer weather was already familiar in 1802. Perhaps it has always been colder in the Lake District where Dorothy Wordsworth, the poet's sister, put the frost in her journal. But then, too, there were columbines and honeysuckles flowering while it froze at night, just as they are flowering in my garden where they have been extremely generous despite only two days' rain since late April.

Dorothy Wordsworth is a particular favourite because she spoke for a style of gardening which many of us still practise at heart but nobody writes about. She loved the garden, second only to her brother William, and her journal records the actions of a person who liked to poke about. She was fond of thymes and sweet peas, foxgloves and sunflowers, quite apart from the columbines and honeysuckles which she is careful to notice at exactly this time of year.

Dorothy Wordsworth: "one of us" with her plant swaps

However, she never seems to buy a plant. She digs up what she wants from the hills and sometimes from other people's gardens. This very week, on June 5 in 1800, she tells how she "rambled on the hills above the house, gathered wild thyme and took up roots of wild columbine. Just as I was returning with my load, Mr and Miss Simpson called. We went again up the hill, got more plants and then went to the Blind Man for London Pride for Miss Simpson."

The Blind Man was not a disadvantaged nurseryman: he, too, was a stretch of natural hillside which Dorothy simply plundered for the plants she wanted in the garden.

There were no nature wardens to throw the green rulebook at her, and William's idea of "nature" would not have inclined her to leave it outside the garden wall. Her wildflower gardening seems remarkably fashionable nowadays. The week after next, on June 25, she was at it again, "going up the hill" to dig up foxgloves: purple foxgloves, I imagine, like the ones which a later north-westerner, Beatrix Potter, imagined round the foxy lair of her sandy-whiskered gentleman.

There are very few hints that the Wordsworth garden contained any flowers at all which had not been for the taking. Once, she mentions collecting sunflowers, which probably came from a village garden, and she wrote on May 28 of going into Jenny Dockeray's garden "where I got white and yellow lilies, periwinkles etcetera, which I planted."

Once again, she is one of us, part of that eternal green economy of swaps and neighbourly exchanges which serves people who think that garden centres are over-priced and will never buy a perennial plant because someone, somewhere, will give it to them.

The Lake District was rather wild and woolly but I cannot actually think of anyone in literature, then or earlier, who ever goes to a nurseryman to buy plants. It is odd, because we now know in more detail than ever that the flower trade and its nurseries had been flourishing in England for centuries, entering a sustained era of growth after 1600.

In what modern novel, though, does anyone ever do anything significant in a garden centre or ever visit one? It only goes to show that poets and novelists tend not to write about the settings which pre-occupy many of their countrymen, and that they are incomplete sources for social history.

I am not altogether confident of the way in which Dorothy treated her honeysuckles. In early June there were "a thousand buds on the honeysuckle tree, all small and far from blowing, save one that is retired behind the twigs close to the wall and as snug as a bird's nest."

Two weeks ago I had a similar bud, although Dorothy did not have the pale cream-yellow honeysuckle Graham Thomas which reached the market two years ago and is worth the price for its unusually sweet scent. When she writes of a "tree," I doubt if she means honeysuckle grown as a free-standing bush: I suspect it is her word for our climber.

What bothers me is that as late as June 22 she is planting honeysuckle beneath a yew tree, a remarkable site in a dry season. We never hear any more of it but, if we did, it would have started to throttle and distort the yew's branches. Honeysuckles are awful twisters, so be warned before growing them up anything precious.

Honeysuckle, perhaps, had to fend for itself but young ladies were allowed a certain freedom of figure. In September, the garden was looking "gay with asters and sweet peas" and "Mary first met us in the avenue. She looked so fat and well that we were made very happy at the sight of her." Fat was not a romantic-feminist issue; and I like the thought of tubby Mary among the late sweet peas, everybody welcoming her and nobody thinking that she really ought to do something about her weight.

I cannot leave Dorothy's journal without a word about those notorious daffodils. Prose is not always less noble than poetry, although nobody sponsors a professor of prose and I have never voted for one.

When William and his sister saw "the crowd, the host of golden daffodils," Dorothy merely remarked in her journal: "I never saw daffodils so beautiful. They grew among the mossy stones . . . some rested upon these stones as on a pillow for weariness and the rest tossed and rushed and danced and seemed as if they laughed with the wind that blew upon them over the lake: they looked so gay, ever glancing, ever changing. There was here and there a little knot, but they were so few as not to disturb the simplicity, unity and life of their own busy highway."

It is her journal, not his well-known poem, that conjures them up and captures them best when we, too, see them in spring.

■ Selections from Dorothy Wordsworth's journal are available as *Home at Grasmere* in the Penguin English Library series.

The Wansdyke: an ancient route through the Wiltshire wilderness

Walks through history

Around the magic circle

***Peter Gillman** on a journey through the semi-natural*

THERE COULD hardly be a more evocative start for an historical walk than the Avebury Circle, with its rings of massive sandstone sarsens around the Wiltshire village of Avebury, which itself occupies the site of a Neolithic settlement.

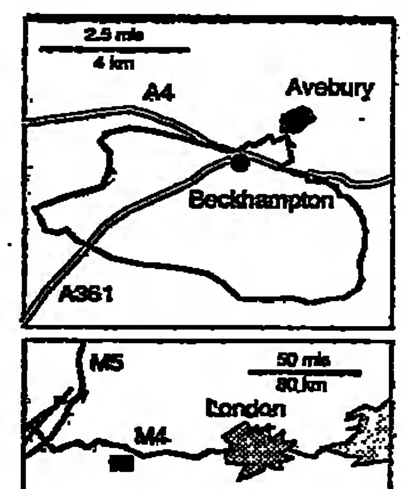
Constructed around 600 BC, the circle is the widest, its stones the largest, of any in Britain, inspiring wonder at both the tenacity and imagination of a people customarily dismissed as primitive in comparison with our supposedly civilised age.

The Avebury Circle is only one of a treasure-trove of artefacts to be savoured during a comfortable 14-mile walk across the Wiltshire downs, encompassing monuments both venerable and recent and no fewer than three ancient highways. We undertook it on a memorable late summer's day, when clouds scudding over the rolling landscape brought alternate sunshine and showers that served to sharpen the experience.

From Avebury itself, where we began, the prizes come thick and fast. A mile to the south is Silbury Hill, as rich in superlatives as the Circle. It stands 130ft high, is thought to have taken the efforts of 500 men who spent ten years on their task, and is the largest human-made mound in Europe. In another half-mile we reached the West Kennett Long Barrow, yet another record-holder: this time Europe's largest surviving chambered tomb; like Silbury dating from the time of the Avebury Ring.

It is astonishingly well-preserved, and it is hard to suppress a frisson of unease — what ghosts stir within? — as you penetrate its gloom. As we emerged, our eyes were caught by an apparent further manifestation of the semi-natural: a series of concentric clearings in a nearby hayfield, ranging from five to 15 ft in diameter. Were these, we wondered, the aurora of whatever magical properties the Avebury monuments still possessed?

Since there were no footprints between the circles, they could only have been made from the air. But how? A walker who was just reaching the barrow told us, with all apparent seriousness, that the circles had been left by a flotilla of flying saucers. Although sceptical, none of us could think of a better explanation, and for the moment we suspended judgment.



Our route now lay due east to the soporific village of East Kennett, where we picked up the first of the three old highways we were to follow. This was the Ridgeway, reputed to be the oldest track in Britain, now for much of its length an Official Long Distance Footpath.

I must admit to a prejudice against official footpaths: compared with the satisfaction of plotting and navigating your own route, they seem too easy and prescribed. I also believe that they are likely to be too crowded, but since we had joined the Ridgeway a mile south of its official start, we had it to ourselves.

Passing yet another sarsen half-hidden in a hedgerow, we pushed up a steep incline that constituted the northern slope of the Wiltshire downs. An idyllic valley, green and succulent, lay below us, then was obscured as we prospected for the way through clinging thickets of elder and blackthorn.

We came out on to the crest of the downs at the junction between the Ridgeway and the second of our historic highways, the Wansdyke. Built in the 6th century, the Wansdyke is a fortified ditch that starts east of Marlborough and runs for 60 miles to the Bristol Channel. The effort to build it must have been as remarkable as for Silbury; it is up to 20 ft deep in places, and twice as wide, with dual ramparts and a path that switches between them seemingly at random.

The Wansdyke, striking inexorably for the horizon, showed us the way ahead for the next five miles. At times it clings to the highest point of the downs, where an enervating wind swept across our path; at times it plunges down over chalky farmland.

We reached the highest point of the walk where the Wansdyke crosses the northeast flank of Tan Hill at around 900 ft. The clouds had lifted once more, showing us a patchwork panorama of fields, with the conical dome of Avebury Hill unmistakeable to the northeast. Then it was down again to farmland and beyond it the main road between Swindon and Devizes.

On the far side the Wansdyke was overgrown in places with brambles, making it far less easy to follow. But we stuck to our task and reached its intersection with the third great highway of the day, the old Roman Road from London to Bath. It appeared first as a barely perceptible line through the fields but gained in presence as it led us east, back towards Avebury.

After a mile and a half we turned north towards yet another monument, or rather two monuments, one within the other. The first was an Iron Age hill fort known as Oldbury Castle, its ramparts excavated from the chalk. On its western perimeter soars the Lansdown Column, a sandstone obelisk that serves to commemorate both human vanity and frailty. Built at the behest of a local grandee, it is now in terminal decline, its stones askew, enclosed by fences to keep people away, in poignant contrast to the more durable memorials we had visited that day.

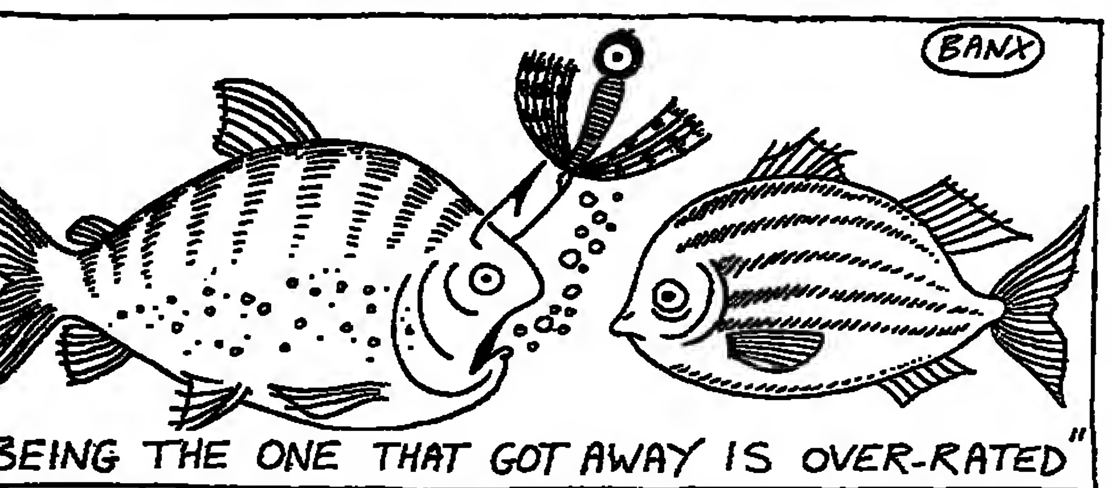
One last site awaited us, the Cherhill White Horse, a stolid figure carved in 1730 by removing turf and laying bare the chalk. We were beginning to feel sated with history when, right on cue, a shaft of sunlight cut through the clouds to accentuate the drama of the horse's stance.

It was now back to Avebury by the most direct route, making a diagonal descent of the downs to finish on the least interesting stretch of the day, an arduous two miles along the A4. But we were still pondering the mystery of the circles in the hayfield, and a week later read an article in a national newspaper which claimed that they had been caused by whirling gusts of wind. I far preferred this account to the flying saucers. There is enough natural magic in the landscape not to need other-worldly explanations.

Fishing

Going nuts in May

***Tom Fort** has an inauspicious start to the season*



THE MERRY month of May, some clot called it. For me, it was anything but. A catalogue of angling misfortune — some deserved, some not — would be nearer the mark, although there was a little respite at the end.

Actually, I did not feel too bad about May 1, when the season on the Kennet opens. It is folly to expect to catch fish on the first day. The idea is to flex unused muscles, to oil rusty skills (if possessed), to admire the trees coming into leaf, to sniff the flowering of spring, to check whether the river and its fish are as they should be.

This occupied me in the morning, there being nothing else to do as not a trout showed itself. After lunch, I left the lifeless main river to explore a pleasant and often productive side stream. There, I found a genteel feast in progress.

There was a fall of black gnats. A steady trickle of these tasty morsels was washing downstream, and snouts were appearing to intercept them. I cast over a snout and my fly disappeared in a delicate dimple. I tightened. There was a boil and a wave as the trout tore upstream. My faculties still in winter atrophy, I did nothing much else and the fish was gone.

I walked up to a turbulent pool below a little red brick bridge. Big fish live there (a few years ago, someone caught one of 7lb on a mayfly) but the contrariness of the currents makes presenting the fly a tricky business. I was congratulating myself on my success in so doing when there was a confident rise. I struck viciously, my cast broke, and I went home to play cricket with my son.

My next visit began atrociously. I found I had left my scissors behind and had to carry out all the finicky snipping of nylon with a large knife. This is not easy on the temper. Even worse were the protruding metal struts on my new (untested) spectacle shades which dug into my nose in a manner that soon became unbearable.

The weather was gorgeous — for cricket, or drinking cold beer in a deckchair. It was lousy for fishing, with that piercing brilliance in the sunshine that discourages any fly from hatching and seems to refine the trout's warning system into a continual state of maximum alert.

This is a roundabout way of explaining why, at 3pm, I was asleep in the shade of a beech tree. I was not fishing because there was nothing to fish for. Revived by slumber, though, I returned to the spot where the black gnat binge took place the previous week.

This time, there was only an occasional fly being taken by an occasional fish. I hooked one and he broke me. I hooked another in the turbulent pool and he broke me. I then caught his grandson, five inches long. Above the bridge I rose a third good fish, and he got off.

At this point, the river suddenly acquired a strange milky appearance and all signs of life stopped. The keeper told me wearily that that the water authority people were at it again upstream. Realising that my riverside snooze was the highlight of my season thus far, I packed up.

By the time I returned, 10 days later, the mayfly season had started. I don't much care for the three-week frenzy that accompanies the hatching of this lovely insect. The fish behave like lager louts on a cross-Channel ferry, and are far too easy to catch. But since every fish — from the littlest to the mightiest — joins in, there is the chance of catching something enormous.

I saw one of these guzzling away under a gorse bush in a dark corner. The dense vegetation made ordinary casting impossible. I wriggled through the nettles until I could extend the tip of my rod over the water. I then lowered my mayfly, and it was whisked away into the gloom under the bush.

There was a greedy sucking sound and I struck. The fish rushed upstream and then down. He wound my line round a dead branch and, satisfied with his work, dived straight down into 10ft of water, breaking me.

I thought I could never recover from such a blow, but on the last day of May I was back. At this point, there comes some relief in this depressing narrative.

True, I began by dropping a full, open packet of cigarettes into the river. However, by means of a desperate leap into the water I retrieved them and then dried them in the sun.

My suspicion that things were looking up was confirmed when I met my friend, the Crafty Irishman. I love the man but there is a casual, maddening excellence to his fishing which makes me long, secretly, for disaster to overtake him. It had.

He had been broken twice and, on the second occasion, had stumbled into a hole, half drowning himself and filling his chest waders.

I smirked in false sympathy. And as he stood there dripping, I caught my biggest Kennet trout to date: 3lb 4oz. So, on second thoughts, May did have a little merriment to offer, after all.

Bridge

IN THE FIRST hand from rubber bridge, North and South bid very well:

N
♠ A Q 2
♥ K J 6 2
♦ Q 7 3
♣ A J 6

W
♠ 10 5
♥ 10 8 7 3
♦ A K J 10
♣ Q 10 8

E
♠ 9 8 6
♥ Q 9
♦ 8 6 5 4
♣ K 5 4 2

S
♠ K J 7 4 3
♥ A 5 4
♦ 9 2
♣ 9 7 3

With neither side vulnerable, North, who was playing a weak no-trump, dealt and opened with one heart. South replied with one spade and North said two no-trumps.

South now rebid three hearts, which is forcing. Although ready to accept three no-trumps, he shows that he has three cards in hearts and suggests game in hearts if North has a five-card suit.

North holds only four hearts but shows that he has three-card support for spades by bidding three spades. South's bid of four spades concludes the auction.

West started off with the diamond ace and, seeing the queen in dummy, switched to the five of spades. The declarer drew three rounds with ace, queen and king and returned his remaining diamond. West won and continued with the knave to the queen in dummy. South discarded a club.

The declarer needs three tricks in the heart suit to fulfil his contract. Many players would cash the ace and then finesse the knave, but this is not the right line to adopt. Correct technique is to cash the king and return to the ace, with the intention of leading small towards the knave.

This wins against any 3-3 break, against three or four to the queen with West. It is a safety play against queen doubleton in East's hand. As the cards lie, the queen drops from East and South makes his contract with an overtrick — the reward for expert technique.

The second hand is one in which I was involved some years ago:

N
♠ Q 8 6 5
♥ A 5 3
♦ 7 6
♣ Q J 6 4

W
♠ J 10 9 2
♥ K
♦ K 9 3
♣ A K 10 8 2

E
♠ 7 4 3
♥ 10 9 8 7 2
♦ Q 10 2
♣ 9 5

S
♠ A K
♥ Q J 6 4
♦ A J 8 5 4
♣ 7 3

North-South had won one game, and had a part score of 60, when South dealt and opened the bidding with two diamonds — a revolting bid to the score. North bid two no-trumps, South said three diamonds and all passed.

Sitting in the West seat, I led my club king. Ignoring East's nine, the start of a peter, I switched to the heart king, the Merrimac Coup, to cut the enemy lines of communication.

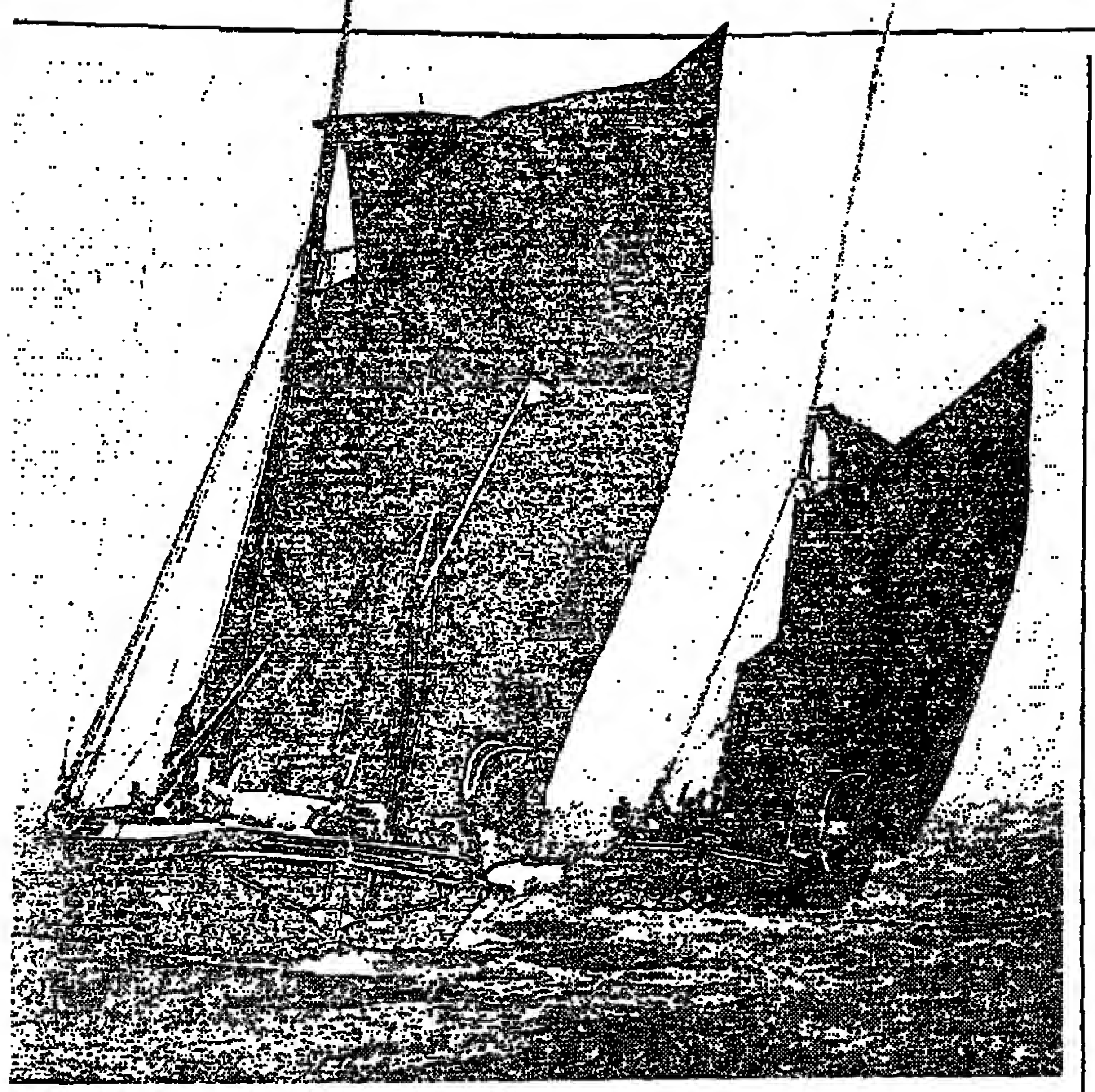
Taking with dummy's ace, declarer returned the seven of diamonds, which ran to my nine. I cashed my ace of clubs, East completing the peter, and led the knave of spades on which East threw the seven, showing three cards in the suit.

South made ace and king and played his diamond ace. I jettisoned my king in order to avoid the endplay and, when the declarer led another diamond, my partner won — *le roi est mort, vive la reine* — and led back the 10 of hearts. She later made a heart to put the contract down.

South deserved to go down in view of his terrible bidding, and justice was served further when we won the rubber.

E. P. C. Cotter

DIVERSIONS



Gentle giants . . . Thames barges under sail

A love affair with red sails in the sunset

Ivor Williams on the allure of Thames barges

SLICING through Britain's coastal waters and estuaries in a modern yacht is an exciting way for many of battling the marine elements. Crewing a 100-year-old Thames sailing barge – particularly in a race – is the prerogative of only a few.

Those involved claim that sailing one of these vessels, which can be 90ft long and weigh more than 70 tons gross, requires a pride and dedication not matched by ordinary yachtsmen. Thus it is not surprising that, even among the sailing fraternity, barge crews and owners feel themselves a breed apart.

The annual races (or matches) around the east and south coasts of Britain are testimony to the genre's enduring qualities. Up to 15 Thames barges and their crews will set sail in today's Blackwater match from Hythe Quay at Maldon, Essex. The event has been supported by the Essex Heritage Year 1989 Committee, set up to promote the area's cultural legacy.

The idea of matches caught on around the turn of the century when the barges and their crews were lying idle waiting for cargoes to carry to London. From the mid-19th century, Thames barges – and sister vessels such as the Humber keel and Norfolk wherry – played a crucial part in the social and industrial development of coastal and river communities, bringing food to outlying areas and delivering raw materials such as gravel, coal and bricks to industry.

The red-sailed barges were built to be crewed by three people but could be handled by two if needed. This was due to the spritsail rig, of Dutch origin, which has a spar running diagonally across the mainsail so it can be kept aloft permanently. The foresail is attached to a rail and requires little attention once hoisted. One man could reduce the mizzen (aft) and mainsails, and some barges had a winch to help set the topsail.

The barges' flexibility in shallow waters ensured their commercial popularity until the 1950s, by which time most had been fitted with engines. However, the *Cambria*, which now resides in the Maritime Trust's collection of historic ships at St Katherine's Dock, London, was carrying cargo under sail until 1970.

Most sailing barges are now owned by companies, clubs or partnerships. Tate & Lyle, the sugar refiner and distributor, owns the *May* which, appropriately, is berthed at Sugar Quay on the Thames. "She is used for entertaining staff and customers," said Terry Paul, who is responsible for the *May's* administration. "We sail mainly on the Thames, Orwell and Solent. Our most recent outing was in the Medway sailing barge match on May 27."

Apart from the expense of employing a full-time skipper and a contract mate for the summer, maintenance charges can [illegible] steep for this 69-ton vessel, which Tate & Lyle has owned for the past 20 of her 98 years. "The *May's* annual winter refit can cost anything from £10,000 to £25,000," said Paul. "She is insured for £125,000 although, if we ever sold her, we would hope to get considerably more than that." Tate & Lyle is apparently not considering this option.

Surprisingly, insurance costs are not the daunting prospect you might expect, but premiums vary enormously, depending on the value and condition of the craft. Peter Northfield, a Lloyds underwriter, says the claims record for sailing barges is "below the marine average" with no total losses recorded. However, £70,000 was paid out in 1979 after a reveller fell from a barge and drowned.

Other incidents are more comic than tragic. In the 1982 Blackwater match, the *Dawn* hoisted a small yacht on to her bowsprit and carried it along for a considerable distance. In last year's match, the *Vigilante* was struck by lightning in a storm and had to retire with her electrics knocked out.

A few enterprising individuals have taken the plunge and bought barges, planning to refurbish them completely. Mike Connell, an art and handicrafts teacher from Harlow in Essex, acquired the *Beatrice Maude*, a 60-year-old motor barge, for £2,500 in 1970. He then fitted her out with all modern conveniences and sailing rig. She now boasts 10 rooms, of which five are cabins, a fully-fitted galley and large saloon.

The *Beatrice Maude* won fame in the Second World War. "She was one of several barges in the flotilla which evacuated Allied troops from Dunkirk," said Connell. "Among those rescued was a certain French officer, Lieutenant Heron, who was so grateful for his escape that he named his two daughters after the barge."

Owning and maintaining a barge is practically a full-time job and not for the faint-hearted. A reluctant Connell finally sold his barge for £22,500 after, as he puts it, "10 years' enjoyable hard labour."

These gentle giants of yesteryear may have outlived their commercial viability under sail. But with such a dedicated following, they look sure to grace Britain's waterways for a long time.

■ **The barges head out of Hythe Quay from 8am today. The match starts at 8.15am from Osea Island on the Blackwater and finishes at 3pm. The vessels are due to arrive back at the quay between 4.45 and 6pm, with the prize-giving starting at 7.30pm. Celebrations and commiserations start rather earlier in the waterside taverns.**

Other sailing barge matches take place at Pin Mill, on the River Orwell in Suffolk, on June 24; on the Swale, in Kent, on August 12 (barges and old gaffers); and at Southend on August 26.

Politics and the Other Woman

Christian Tyler meets Barbara Castle, now 78 but still saving souls for socialism

OUTSIDE the butcher's shop in Barking, east London, a small figure under a red umbrella is buttonholing passers-by. "Now, don't forget to vote on June 15. It's your weapon against That Woman."

The Other Woman of British politics, flame-haired doyenne of the Labour Party, scholarship girl, Cabinet Minister, Privy Councillor and European MP is out doing what she does best: saving souls for socialism.

Barbara Castle is 78 and on the brink of retirement after more than 50 years in public life. But she cannot give up. She is gathering in the vote for Thursday's Euro-elections, when she hopes the people of Britain will deliver a symbolic snub to Margaret Thatcher's counter-revolution.

"People are funny," she said, as she sipped a coffee in the local McDonald's. "They say: 'I thought she was finished', or 'ee, you look younger than on the telly. You *are* wearing well.' But the press are real chauvinists. When I was a minister I was 'the ageing Barbara Castle', but my older colleagues were always 'veteran'."

The veteran Mrs Castle (she never uses the "Lady" which her late husband's peerage conferred on her) may be physically diminished by age. But she is as acerbic, articulate and energetic as ever. After watching her canvass all day, Abdul, the mini-cab driver, observed: "She is very strong, that lady. Stronger than Mrs Thatcher, I think."

She still dresses to kill in satin bows and peep-toe shoes, still flirts shamelessly with the camera. And she still flashes that sudden, ruthless smile which says: "You may not believe or like what I'm saying, but just you dare contradict me." There is nothing grand about Barbara Castle. She hands round the biscuits at public functions and fusses about finding time to wash her smalls. You may call her Barbara.

The woman who gave Britain the Breathalyser, the motorway speed limit, the state earnings-related pension scheme, child benefit and the Humber Bridge says that her ambition was satisfied by a seat in Parliament (she represented Blackburn for 34 years); that reaching the Cabinet was "like a dream"; but that she never aspired to the premiership.

Yet it is tempting to portray Barbara Castle as the socialist mirror-image of Britain's first woman prime minister, the person of whom she wrote in 1975: "That lass deserves to win." While abhorring Thatcher's policies she has confessed admiration for her clarity of conviction and nerve.

There were two vital characteristics in any successful politician, Mrs Castle said this week. One was the courage to be unpopular, a quality she and Margaret Thatcher share. "It should not be a piece of masochism, but a willingness to face the facts." However, the other was a *capacity for self-doubt*. "The whole fascination of politics to me is striking a balance between digging my heels in, getting my head down and the next minute saying 'Now hold on, hold on. Are you just being obtuse? Are you just being pigheaded?' To find the balance between courage and flexibility is the joy of politics, the challenge of politics. That is where she fails totally."

There is a superficial resemblance, too, in their attitude to the European Community: a shared suspicion of economic and monetary union and a blunt rejection of federalism. Mrs Castle jibbed at the comparison. "She believes in the free market principle and I don't," she said. "I have always argued that the move to a single market was wrong in the terms in which it was proposed, in obedience to a philosophy which says the larger the market, the greater the prosperity. All our history proves that is wrong and the free market principle, uncontrolled and untamed, can bring havoc as well as prosperity."

But are they not both jealous of British sovereignty? "The point is that she surrendered national sovereignty by the bucketload on the economic front, and of course the more she privatises the more she is surrendering. You look at water. At present it's a national asset, nationally controlled. The moment you privatise it, it will fall almost exclusively into French hands. The free market is the antithesis of national sovereignty."

With national controls over the deployment of capital removed, the Community was obliged to impose conditions – "or we are back in the jungle of Industrial Revolution capitalism." Among those conditions, of course, are the proposals for a workers' charter, which the Prime Minister has condemned as "socialism by the back door." "But these things are not so alien. It's part of their social thinking as it was in Britain before the Thatcher counter-revolution.

Picture: Alan Harper

Barbara Castle: flame-haired doyenne of the Labour Party

"I mean, when the woman said there is *no such thing as 'society'* it was the most revealing remark any politician has made in my half-century of public life. She is ideologically isolated in Europe."

Mrs Castle recognises the post-war necessities that compelled the west European countries to unite ("what staggers me is the passionate need to stay together") and she accepts that any member state's withdrawal now would be a trauma for all.

But she has no time for Euro-centric visions of a geopolitical third force or trading bloc. "I remain as stifled as ever by the terrible Fortress Europe atmosphere. What do you mean by Europe? Do you include the Poles, or the Czechs? There is something so unctuous about this talk of our great culture and traditions and all the rest of it when there's really deep indifference to the needs of developing countries.

"You know, one was a citizen of the world, and to have to go into their stifling little *boudoir . . . well, it's not the* world for me. In any case, business is going to be more and more internationalised, not purely in the EEC context. For God's sake, we don't want a repetition on the industrial side of what we have got in agriculture. It could cost three times as much."

The retiring MEP for Greater Manchester West says her 10-year career as a leading light in the European Parliament has been based on the motto "if you can't leave it, beat it." Yet, she says, she would not give the Parliament "a penn'orth more power" until the MPs show more democratic urgency and sort out their chaotic arrangements, verbose procedures and feeble communications. "They are playing at parliaments, darling."

Barbara Castle's domestic political career peaked in the late 1960s when her attempt, as Employment Secretary, to control unofficial strikes, "In Place of Strife," saw the Cabinet knuckle under to the barons of the TUC. With understandable bitterness, she says: "What the unions are accepting now in terms of interference with their freedom is incredible."

Historians may see that moment as the watershed of Labour's relationship with the unions from which its subsequent electoral weakness sprang. Mrs Castle does not regard the SDP breakaway as particularly important and claims now to have foreseen its demise. Dr David Owen was her deputy at Social Services in the mid-1970s. Even before he left Labour, she said, she had described him as an excellent second-in-command lacking the political judgment to be Number One. "He was in some ways so weak, which his air of arrogance and certainty sometimes disguises."

What does she think of Labour's new policy fragrance? "It's easy to jibe, but I don't know how else you do it. I think the 'Labour Listens' campaign was silly. It certainly wasn't a success. But there has been some hard thinking and working going on."

She does not under-estimate Labour's task. Britain's social conscience, she said, had been emaciated and its democratic virility sapped by the counter-revolution. "I think the prime job of a Labour government is to haul this country back on to the road to a broad, social, civilised consensus – for example to reawaken the social conscience about poverty.

"The hard indifference to poverty in this country is something absolutely new in my experience. People have been encouraged by Mrs Thatcher to accept indifference as a virtue: 'Don't be afraid of being rich, it's all part of Christianity to get rich first and then you might think about the poor afterwards.' No, she has just stood everything on its head, including Christianity. No wonder the churches are going up the wall.

"Of course, she's got the advantage of playing with the grain of people's selfishness, their greediness, their ability to justify their own worst instincts. But a lot of people in this country are realising that they are socialists without having known it."

Mrs Castle recognised her own socialism long ago, imbibing much from her father Frank Betts, a tax inspector, as the family moved with his job around Yorkshire. She remembers him saying when she was discussing a career: "Well, if it's money you are interested in, I'm not interested in you." Castle still believes that the world is divided into two classes of people: the majority who work to make money, and the minority who make money work for them.

Her father died young, but her mother Annie lived to be 95. So Barbara Castle, the no-holds-barred diarist, can expect a good few years yet with her portable Olivetti typewriter in which to write the threatened memoirs. Eurocrats and Euro-politicians, you have been warned.

Book fair weather

William St Clair on the multitude of events this year

THIS MONTH the antiquarian book trade assembles in London. This year will see *more book fairs than ever and* they are spread over weeks rather than days. The fairs vary greatly in the type of book on offer and their names are of little help as a guide. On the whole the most expensive books are to be found on the second week, but nearly all the fairs claim a wide price range.

The new arrangements ought to be more comfortable for visitors. Collectors will not need to rush around the stands impatient to see as much as possible before charging to the next venue where the grass may be greener. But neither will the dealers. Since about half of the transactions are within the trade, you may find that the book which you hesitatingly declined at the beginning of the round is offered the following week at twice the price.

By far the biggest fair is the Provincial Booksellers Fairs Association (PBFA) Book Week which is held in the Russell Hotel in Russell Square, Bloomsbury, London WC1, not far from the British Museum. To cope with the numbers of dealers who wish to exhibit – about 250 – the organisers have split the fair into two.

The first group will display on Monday, Tuesday, and Wednesday. There will then be a complete change of exhibitors and stock for Thursday, Friday, and Saturday. Some 85,000 books will be on sale, average price £50 but with a wide range on either side. Entrance is free as is the excellent catalogue which includes a calendar of all the PBFA Fairs to be held in towns outside London for the rest of this year.

At the weekend, the Bonnington, held in the hotel of that name in London's Southampton Row, consists mainly of part-time dealers displaying old books at cheapish prices. It is not to be confused with the London Book Fair which this year is installed in the same hotel at the beginning of the following week. That and the Annual at the Café Royal in Regent Street near Piccadilly Circus contain books of the middle range. The preview at the Café Royal is open to members of the public at a £5 entrance fee and they may find themselves offered a glass of wine to encourage their inclinations. The National, held in the Royal National Hotel in Bedford Way off Russell Square is pleasingly mixed.

The most international event is the Thirtieth Antiquarian Book Fair of the Antiquarian Booksellers Association which brings together about 100 dealers from the UK, Europe, and North America displaying some 30,000 books. It is held in London's Park Lane Hotel which is not in Park Lane but in Piccadilly some way round the corner. Admission costs £5 which includes the price of the catalogue. The opening ceremony is to be performed by Lord Jenkins of Hillhead.

Among the items on sale are a number of incunabula, that is books published in the early years of printing before 1500, including an incomplete Caxton for £21,000. There are *examples of English colour* plate books concerned with hunting and horses which are always in demand. A curious volume of poems about golf, privately printed in Edinburgh in 1867, is priced at £1,800. A collection of 400 Oscar Wilde books and programmes is open to offers.

For those whose mania reaches to the 1960s, dealer Paul Rassam has a copy of Bob Dylan's *Tarantula* personally inscribed by the author to John Lennon and Yoko Ono although he has misspelled her name. A snip at £8,500.

Antiquarian Book Fairs in London, June 1989

PBFA Fair One	Monday 12th Tuesday 13th Wednesday 14th	2-7 10:30-7 10:30-7	Hotel Russell	Free
PBFA Fair Two	Thursday 15th Friday 16th Saturday 17th	2-7 10:30-7 10:30-7	Hotel Russell	Free
Bonnington	Saturday 17th Sunday 18th	11-7 10-7	Bonnington Hotel	Free
National	Sunday 18th Monday 19th Tuesday 20th	11-7 10-7 10-7	Royal National Hotel	Free
London	Monday 19th Tuesday 20th	9:30-7 9:30-7	Bonnington Hotel	Free
Annual International	Monday 19th Tuesday 20th Wednesday 21st	3-8 10-8 10-5	Cafe Royal	£5 £1 £1
ABA Antiquarian	Tuesday 20th Wednesday 21st Thursday 22nd	11-8 11-8 11-6	Park Lane Hotel	£5 £5 £5

High Street Wine

Tesco aims to top its rivals

TESCO, with a list of *about 400 wines, has* been aiming to emulate its supermarket rivals, Sainsbury and Waitrose, and is now extending further its list. At a recent tasting I concentrated on the new wines available or to be launched very shortly. Of these I picked out the following:

White:

Beaujolais Blanc, Les Caves de Bully 1988 (£3.99). Having mostly become St Véran, these days Beaujolais Blanc is not all that common. Not a very distinguished wine, but this one is light in colour, has an attractive nose and sufficient body.

St Romain, Barolet 1987 (£5.49). This white burgundy is part of the Hautes-Côtes de Beaune. In a variable vintage, it is somewhat over-oaked, but is fruity and in burgundy terms good value.

Pinot Grigio, Grave del Friuli, La Pierre, N.V. (£3.39). A fresh, slightly sweet, easy-to-drink summer wine.

Moscato d'Asti, Gallo d'Oro, Cidia Calamandrana N.V. (£3.19). Asti's second wine, this is very sweet and typical. Will match any summer sweet, and one glass per head is probably sufficient.

Scharzhofberger Riesling, QBA, Van Volxem 1987 (£2.99). Germany currently provides some of the best value in classy wines. This Mosel has a real Riesling bouquet, is fruity and elegant. An attractive aperitif.

Tesco Australian Semillon Barossa Valley N.V. (£2.99). Is the popularity for Australian wine becoming too undiscriminating? There is nothing technically wrong with this wine, but it has little flavour.

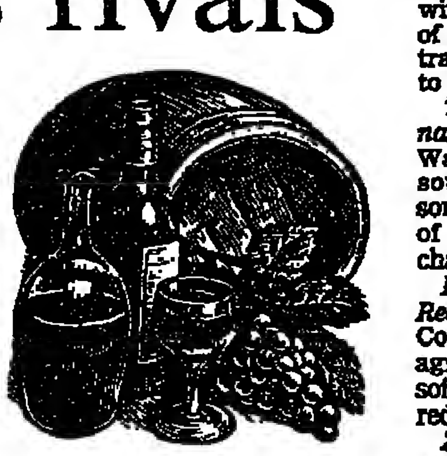
Red:

Ch. Pigoudet, Coteaux d'Aix en Provence, 1985 (£2.79). Surprisingly enough this Provençal wine is 100 per cent Cabernet-Sauvignon. It has a huge colour, not a lot of nose, on the tough side, but a mouthful of wine and excellent value.

Châteauneuf-du-Pape, Les Arnevels, J.R. Quiot 1986 (5.59). Not as much colour as expected from a Châteauneuf, but well-developed, with a touch of sweetness, though lacking the usually firm end of these wines. Easy drinking.

Chianti Rufina, Selvapiana 1986 (£3.49). Very light colour, fair nose and some tannin, but ready for drinking.

Villa Paola Montepulciano d'Abruzzi, Tollo, 1985 (£3.39). This has no connection with the *vine nobile* of Tuscany but is a strong 13° southern Italian wine of very big colour, fruity nose, assertive flavour and a



tannic end. Would go very well with well-spiced food.

Casa Portuguesa, Vinho de Mesa, N.V. (£2.35). This fairly basic wine at a basic price has plenty of flavour and balance, and like most Portuguese reds needs food to accompany it.

Tinto Velho, Reguengos de Monsaraz, J.M. Fonseca, 1983 (£3.49). This deep-coloured, 13-degree wine with a rich bouquet and velvety flavour is in a different class from the last wine and makes very attractive drinking. Excellent value.

Yalumba Shiraz, Barossa Valley, 1987 (£3.99). With very good colour, rich flavour and plenty of flavour, and some tannin, it is worth keeping for a year or so.

Limestone Ridge Coonawarra Shiraz Cabernet, Lindemans, 1985 (£12.99). The price looks steep, but this is a wine of real class, medium in colour, with an aroma that comes out of the glass and a rich, concentrated flavour. An experience to drink.

The Hogue Cellar Chardonnay, Washington, 1986 (£7.99). Washington State is a new source of Chardonnay. Still somewhat oaky, but has a lot of flavour and Chardonnay character.

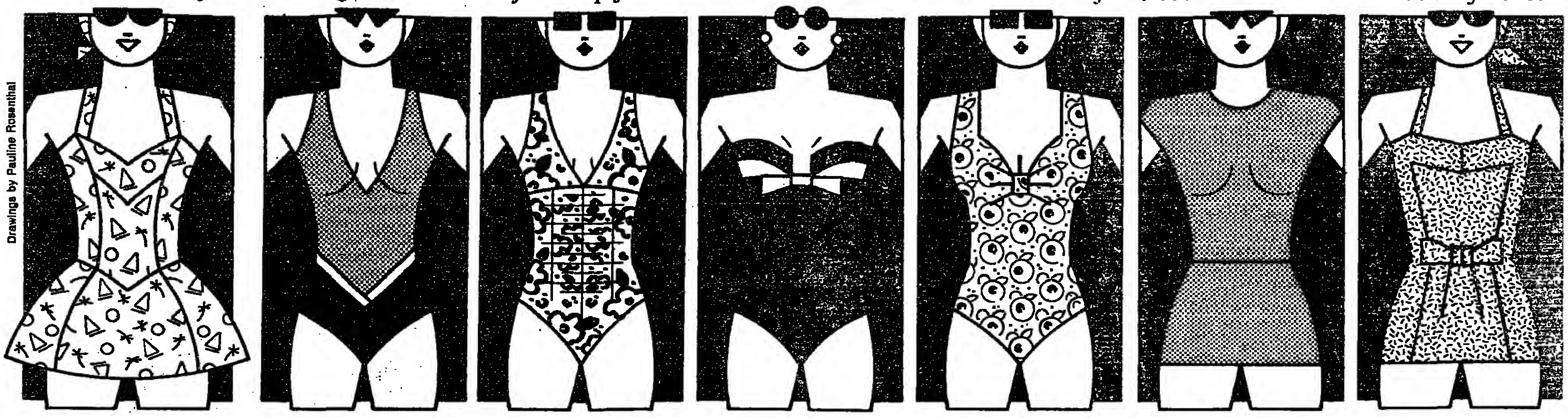
Belvedere Discovery Series Red Table Wine, 1983, Sonoma Country 1983 (£3.29). With an agreeable bouquet, this is a soft, easy to drink California red. Good value.

ZD Pinot Noir, Napa Valley, 1984 (£8.49). The initials are the name of the winery, and this is a successful, *distinguished* Pinot Noir, with a fine nose, and full-bodied fruity flavour.

Pavillon Rouge du Château Margaux 1985 (£13.99). Every aspiring supermarket has Pavillon Rouge, and this is not quite new to Tesco. The colour is medium, the nose very fine but, understandably, the flavour still retains some hardness. Worth buying to keep for at least two or three years.

Edmund Penning-Rowsell

Do all eyes turn for the wrong reasons when you strip for the beach? Fear not. **Lucinda de la Rue** *finds costumes to cover one in confidence*



Drawings by Pauline Rosenthal

1 A 50s swimsuit to cover large hips and dimply legs **2** Lycra slimsuit to disguise a large bosom **3** A ruched front hides a flabby stomach **4** Padded swimsuit to add curves in the right places **5** A floral swimsuit from M&S, with added support **6** The mini-skirt look to cover a plump rear **7** Original 50s swimsuit to hide an overlarge tummy

How to be a beach belle

IS THERE anybody who feels totally confident in a swimsuit? Jerry Hall, maybe. Marie Helvin perhaps. The rest of us venture out, pallid after a winter under wraps, not daring to turn even the mildest shade of biscuit for fear of melanoma and making mental notes never again to holiday south of the Lake District.

At first sight, this year's swimsuits look more daunting than ever. The fashionable outfit with which to broach the water seems to feature great slashes from breast to navel (not the most becoming of styles for most of us) and cutaway thighs that look as if they would bite into the flesh alarmingly. Most fashion pages manage to give one a sinking feeling that swimsuits are only for those with flat stomachs, fetching cleavage and immaculate legs. The only decent thing for the rest of the population is to stay indoors or, at least, covered up properly.

But take heart. Look beyond the highly fashionable names, take time and trouble, and you will find that there are swimsuits that cope with all the real-life figure problems. Flabby stomachs, floppy rears, droopy bosoms, heavy thighs – all can be, if not camouflaged, at least minimised if you choose carefully. Sketched above is a row of swimsuits, each designed to cope with one of the problems to which most mortal flesh is heir.

1. Large hips, dimply legs, low-slung bottom? This copy of a '50s swimsuit, in sky blue patterned with sun, trees and boats, has a skirt which camouflages them all. In 100 per cent cotton, the top and pants come separately. This is ideal for those with awkward-length bodies as the swimsuit will neither sag nor pull. Sizes 10, 12 and 14. £40 (p+p £2.50) from Maggie Smith, 63 Charterhouse Street, London EC1. You should ring her (01 251-5888) to make an appointment first.

2. Large bosom and too much flesh all round? This is a revolutionary new design called a slimsuit and, being made of nylon and Lycra, guarantees to take about an inch off the waist and stomach. Meanwhile, hidden wires support the bosom without having recourse to those awful cups which always slip just as your crawl gets under way.

Our guinea pig tried it and it works. It comes supplied with a tape measure so you can measure the results for yourself. In purple with black, turquoise with black or pink with black, it is £45 from Fenwick of Bond Street, London W1 (p+p £1.50). Sizes 10-16.

3. Flabby stomach or merely too much of it? This aquasuit by Oceano is made of Lycra and the ruched front disguises over-full curves splendidly. It comes in one colourway only – a floral print in pink, purple, turquoise and green on a white background – and costs £79 from Fenwick's (p+p £1.50). Sizes 10-16.

4. Not curvaceous enough? This chic swimsuit in navy and yellow is ideal for those who are endowed less than amply. The top is padded out softly to give the impression of fullness on top, and the yellow bow draws attention to the top half. There is an optional halter neck strap for those who don't feel confident in strapless suits and, of course, it can easily be removed for sunbathing.

Designed by Gideon Oberson, it costs £68, comes in sizes 10 to 16 and is available from Joshua Taylor, 59 Sydney Street, Cambridge; Camil, 38 Queen Street, Maidenhead, Berkshire; and Dessous, 49 The Broadway, Stanmore, Middlesex.

5. Top heavy? In dire need of proper support? This pretty floral swimsuit from major branches of Marks & Spencer is the one for you. It is designed in '50s style with a sweetheart neckline and broad straps to flatter a fuller bosom and plump upper arms. The wider straps give proper support to those who need it. Made from nylon and Lycra, it comes in sizes 12-18, has a B or C cup fitting and costs £17.99.

6. Are you pear-shaped and do you feel more comfortable with a more covered-up look? This purple swimsuit is made of crushed polyamide and Lycra and has an optional mini-skirt which covers the rear perfectly. A good choice, too, for those with sensitive skins who like to be more covered-up. By Gideon Oberson, £62, from the stockists mentioned above.

7. Spare tyre, plump thighs, less than perfect behind? This original '50s swimsuit from Maggie Smith is good as new. The pleated front is ideal for minimising spare tyres while the little skirt covers the tops of the legs. It has a long line and elasticated back which is flattering to plump rears. Size 12 only. £50 (p+p £2.50) from Maggie Smith – address as before, and an appointment is needed to view.

■ *Lucia van der Post is away.*

Mind the quality, feel the welt

***Peter Knight** finds out what makes a good brogue*

Price usually denotes quality and most classic men's shoes give good value for money

Drawing by James Ferguson

YOU PASS a high-street shoe shop in your new £119 Church's brogues and suddenly your feet feel very heavy. In the window are identical shoes at less than half the price. What is going on?

Classic men's shoes are fashionable again. Monks, full-brogues, half brogues, Oxford cuts and loafers sit happily at the end of legs wearing anything from best worsted to distressed Levi's. Covent Garden clothing stores might sell weird viscose creations suitable only for pimply fashion victims, but on their racks sit shoes just like grandfather wore. And they are reasonably cheap. Pop into Next, Cable & Co or any of the high-street chains and you will find more inexpensive classics.

Take the brogue, which has come a long way since the Concise Oxford defined it as a "rude Irish and Scots Highland shoe of untanned leather." It is the design with patterns made from punched holes. At first sight there is little difference between a £50 pair and those on your feet. Both have leather soles and both claim to be made using the traditional Goodyear welted method (more of this later).

The catch is in the quality of materials and the strength of construction. A good, dependable and traditional brogue will be made entirely of leather except for some cork between inner and outer sole. This means that the heel is created by making a stack of pure leather strips. The sole is cut from the thick hide of some sturdy beast and the entire inner shoe will be lined with high-quality calf skin.

The shoe will be constructed using a machine designed by Goodyear and this will leave a ridge, the welt, containing visible stitching that holds both sole and upper together. Goodyear welting is considered to give the best-quality finish and the most comfort. The construction also lends itself to easy repair and re-soling.

Leather for the upper is selected from the better parts of the hide and will be free of surface blemishes and flaws. The manufacturer will practise strict quality control. For this, you will pay between £90 and £130 and be guaranteed a shoe that will keep its shape for many years, be comfortable and withstand wet pavements.

Specialist shops (such as those in London's Jermyn and Bond streets) which have their shoes made by one of the UK's 25 manufacturers with the Goodyear equipment might charge a bit more, but they should offer various fittings and better service.

The welted brogue takes skilled craftsmen a long time to make. To produce a £50 shoe (including a 110 per cent retail mark-up), manufacturers squeeze a profit by using poorer materials and reducing the amount of pure leather. For example, the heel will be constructed from a leather composite, a sort of hardboard made from leather scraps, or it will be built up with a plastic filler and finished off with leather or rubber.

Leather composites are also used in the inner sole, and the sole itself will be made of hide thinner than that on the more expensive shoe. Leather is a perfect material for shoe-making because it breathes and can be moulded to the desired shape, which it will keep if cared-for.

Composites and plastics can be effective substitutes, but the shoes are harder to repair and will not keep their shape so well. A heel made of leather hardboard will swell far more when wet than the leather to which it is attached, and the shoe could distort. Cheaper shoes will be half-lined or lined with, say, pigskin, which is a fraction of the cost of good calf, which will affect the comfort and life of the shoe.

Uppers on a £50 shoe are made from low to medium quality leather that will contain blemishes from scarring or irregular growth patterns. Cheaper leather is often treated to disguise flaws and this impairs its natural look. To meet price targets, manufacturers will also compromise on quality to get more cuts out of a hide. This could mean that a shoe will lose its shape quickly because weak leather has ended up in a place that demands strength.

Neil Wright, an experienced shoemaker and marketing director of the British Footwear Manufacturers' Federation, says most of the classic men's shoes give good value for money. Price usually denotes quality and you seldom pay much extra purely for the brand name.

Spotting the difference between good and fair, other than by price, is relatively easy. Look for obvious blemishes on the leather, check the heel for plastic and composites, and look at the quality and quantity of lining.

Goodyear welting can produce quite a chunky shoe. Construction methods such as cementing and lock-stitching, which are used for lighter, slimmer Italian shoes and other designs such as moccasins, are considered inferior to welting for the heavier brogues.

High street chains tend to pile on the highest mark-up. So, if you don't want to wear out too much leather in search of a good deal, head for clothing shops carrying shoes as a sideline. If the brogue fits, it's probably a bargain.

Food For Thought

Vinegar, yellow croaker and chips

IT HAS been a nagging suspicion of mine for several years now that the banks of polychromatic fish stocked by London fishmongers are there for chiefly decorative purposes.

In this they seem to be the fishy equivalent of that little mound of "undressed salad" laid at the side of your plate in restaurants of the Berni Inn sort. It is there to cheer up the otherwise bland colourings of the food and is eaten – like the plastic parsley on the cheese board – at your peril.

My jaundiced view was supported by a story recounted by a colleague, who, struck by curiosity, asked the man on the fish counter of a leading department store what he did with the tropical fish at the end of the day. "Those?" he replied, "I throw them away."

Of course, there is plenty of tradition in serving food for effect rather than taste. It was a great speciality of the Romans and was not surprisingly the inspiration for many Renaissance meals.

The fish are certainly pretty, and they possess glorious names. From the Seychelles comes porgy, angel-fish, bourgeois, croissant, vara-vara, kind carangue, exocet (or if you must – flying fish) and the widespread parrot-fish. From the Caribbean, the favourites are the lime green cavally, bonito, boat fish and the sinister-sounding yellow croaker. From the Nile comes the red snapper, feared by the locals, I am told, only marginally less than crocodiles.

The best place to see a display of these fish is one of the ethnic markets in British cities. In London the most rewarding are Ridley Road in Dalston and the covered market in Brixton. There is, however, a caveat – most of the fish will be deep frozen, and fish of this sort are just too delicate to take that sort of treatment. You are better advised to go to one of the fishmongers who fly them in, such as Steve Hatt in Essex Road, Islington, or the Covent Garden Fishmonger in Endell Street. Among the supermarkets, Waitrose takes the lead with three or four varieties flown in on Thursdays.

As I discovered, the cooking question is crucial, as most of the local solutions will actually destroy the flavour of the fish. After having acquired a selection from Waitrose, I found myself in a mini-cab driven by a Jamaican-born Rastafarian whose mother, it transpired, was a professional cook. On festive occasions, he said, the family favourite was goat-fish, and he was overjoyed to give me his recipe.

My heart, however, sank as he began to reveal the secrets of her kitchen; the fish was fried until stiff with as many chillies as could be fitted in the pan. Now, if you are going to curry your fish you may as well use deep frozen ones from Brixton market. The end result means that there is precious little difference between bet-fish and boat.

I resolved to use a different treatment for each of my fish; steaming the parrot fish, baking the job-jaune with a little wine and ginger reduction and grilling the bourgeois on a bed of limes and oil. In addition, I made some Rougaille sauce, from a Seychelles Tourist Board recipe, a spicy tomato sauce with a lot of ginger crushed into it. It was good, but almost certainly better with a more robust fish, such as cod or monk-fish. In all three cases the ideal would have been a beurre-blanc.

The parrot-fish benefited from steaming as this way it retained the brilliant colouring which gives it its name. The hard scales form a crust which is easy to remove. This fish should be treated in Roman style, paraded before your guests before being taken back to the kitchen for serving. It is cod-like in texture but the flavour is delicate to bland with even a twist of lime over-powering it.

Equally successful from the colour point of view was baking the job-jaune, with its brilliant yellow tints. The fish is mullet-like in shape and flavour, although not so pronounced and rather chewy. Again there was little to be gained from the limes or the Rougaille sauce.

The bourgeois was a big, prosperous-looking beast befitting its name. It has large diamond shaped scales that make it look like a carp which has mated with a bream. When grilled the scales are crisp and edible.

The fish made for a pleasant meal and a change from the usual Lenten offerings. Pretty though they are, I doubt they will make any permanent inroads into our national culture. Somehow, I can't quite see the average housewife welcoming her tired husband back from the office with a joyful cry of "Here you are darling, a nice piece of yellow croaker."

Giles MacDonagh

Cookery

Why British berries are the best

Spanish invaders have been repulsed and nationalist fervour is here again

ISRAEL and the US are first past the post, flying strawberries to Britain in time to celebrate New Year's Day for those mad enough to want high summer berries in midwinter. Most people I know sensibly prefer to ring out the old and to ring in the new with something a bit more fortifying.

Who buys those anaemic and goosepimpled offerings I wonder? People with more money than taste or good samaritans who cannot bear to see the fruit shivering and spurned on the supermarket shelf?

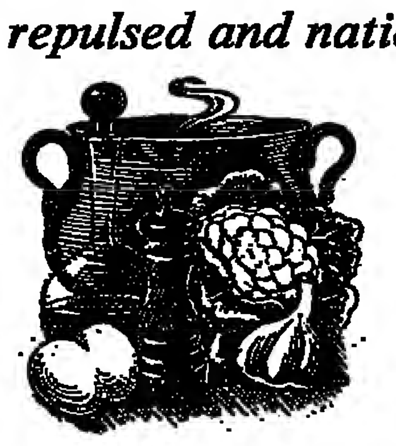
April sees the Spanish invasion. Nothing pallid about the contents of these punnets. The humpishly bulbous Iberian berries are usually an angry red and heavily pitted, "like drunkards' noses" as my mother puts it. The texture of the fruit is coarse, the flavour is crude.

I'm an ardent nationalist in this matter. Only home-grown strawberries will do. That is not to say that all British strawberries are worth eating, alas they are not, but the best (like the best native asparagus) knock spots off foreign imports. I reckon they are worth waiting for and well worth the premium price they command — so small, firm and juicy, delectably sweet yet acid, romantically heart-shaped and magically scented.

At first, when the English strawberry season begins and supplies are scarce, there may not be enough to serve strawberries and cream (strawberries and cream calls for masses of both ingredients, no stinting). It makes better sense to savour the precious few in other ways. Try combining them, for example, with pineapple.

Choose the ripest and most fragant pineapple you can find. Cut it in half lengthways, scoop out the flesh carefully and cube it, discarding the wooden core and the spiky "eyes." Then return the pineapple to the shells, piling it up prettily, adding strawberries here and there, and dusting lightly with sugar between layers. The sugar will encourage the pineapple and strawberry juices to mingle making a lovely light and fruity "sauce."

Decorate the dish with a scattering of bright blue borage flowers, if you can. The colour scheme is exhilarating and the cool cucumbery taste



of borage, a traditional tonic herb, makes a soothing partner for fruits that are sweet yet sharp.

STRAWBERRY TARTS WITH ORANGE PASTRY
(makes 2 dozen tartlets)

Here is another good way to share a few of the first home-grown strawberries between several people. Wood or alpine strawberries, when available, make an exquisite alternative to the more usual cultivated varieties. I have used a mixture of Philadelphia cheese and Greek strained yoghurt for the filling, but you could come up with other combinations, incorporating some fromage frais, curd cheese, clotted cream, creme fraiche or Petit Suisse, for example, according to personal taste and to what is available in your local shops. The mixture should be delicious and of good consistency – neither stiff nor runny.

For the pastry: 10 oz flour; 5 oz butter; a good pinch of orange zest; 1 heaped tablespoon caster sugar; 2½ tablespoons freshly squeezed orange juice to bind the dough. For the topping: 1lb firm, perfectly ripe strawberries; freshly squeezed orange and lemon juice and a little sugar to dress the strawberries.

For the cream filling: 1 x 200 g packet of Philadelphia cheese; 6 tablespoons Greek strained yoghurt; 2 tablespoons caster sugar; ½ teaspoon triple distilled orange blossomwater; 1-1½ tablespoons juices strained from the strawberries.

Make the pastry and use it to line two dozen tartlet or mince pie tins. Blind bake at 400 F/200 C) gas mark 6 until the pastry is biscuity crisp, and set aside to cool. (If you like the tarts can be made ahead and stored in an airtight tin – or frozen – but if they are made well ahead it is a good idea to reheat them briefly, close to serving time, to ensure the pastry is really crisp.)

Hull the strawberries and halve or quarter them if they are not as small as you would wish. Sprinkle them with 1-2 teaspoons lemon juice, twice as much orange juice and 1-2 tablespoons caster sugar. Toss gently and leave to marinate for 10 minutes – or longer if more convenient.

Cream the yoghurt, cheese and sugar together until smoothly blended. Beat in the orange flower water for fragrance then add a little of the strawberry juices. I find 1-1½ tablespoons of juice about right to give a good consistency when Philadelphia cheese and Greek strained yoghurt are used. Alternative dairy products may need a different quantity.

Fill the tartlet cases close to serving time: spoon a blob of the cream filling into each one and pile some strawberries on top. (The strawberries should be well drained of their juices or they will "bleed" into the cream filling.) Finally, add a shake of sugar for crunch.

Philippa Davenport

ARTS

Royal Academy's golden goose

***William Packer** reviews the 221st Summer Show*

TODAY THE Royal Academy opens its Summer Exhibition (until August 20) to the general public with by far the larger part of the work available for sale already sold, to judge by the rash of red spots evident by the afternoon of Wednesday's private view. The fear beforehand had been that this year the golden goose would be strained a little too much, that prices had now risen just too far: but clearly in this respect the Summer Show is again a great success, whether last year's bonanza is matched or not.

The Academy still agonises, as I suspect it always has, over the Summer Show. Its other shows may carry more critical weight, but without this, its *raison d'être*, the Academy would not be its peculiar, engaging self. Some dark souls still grumble at the waste of the splendid galleries through the high season of the year: others still believe the Summer Show is nothing more than the celebration of the amateur by the incompetent. Yet every year this major institution of contemporary visual art reaches out to the wider British public, and the public responds.

One knows how much the Academicians put into it each year; those haggard, preoccupied figures staggering out into Piccadilly in the late Spring evenings are only the selection jury after a long day. This year they reduced a submission of 13,750 works of all kinds, up by nearly 10 per cent on last year, to the more manageable but still appalling figure of 3,790, for the hanging jury to make into the show itself. Small wonder then that urgent, anxious enquiry should greet the critic: "What do you think of it this year? I think we are quite pleased with it. Don't you think it all looks quite good?"

But I am not one of those critics who feel that the Summer Show should be tolerated at best with an amused condescension. Always there are good things to be found and always there will be monsters, but it must be the longer view that supplies any basis for a general qualitative assessment. Having seen all but one or two of the last 30 Summer Shows, I can only say that their quality and overall usefulness has steadily improved.

The Academy was founded not to represent the most advanced or experimental of current art, but the best. And its significant achievement over these past 30 years has been its repossession of that central position in British art it was founded to occupy. It was always a waste that the generation of Moore and Nicholson, Nash and Sutherland, should have been so at odds with an Academy that could still accommodate such artists as Sickert, John and Spencer. Now artists of international reputation, such as Tilson and Hoyland, Paolozzi and Pasmore, Blake, Flanagan and Allen Jones, are happy to be active members. And how good it is that so senior an artist as John Piper should now be showing for the very first time.

Including the works of the academicians themselves, which are not subject to selection, some 1,185 works have been hung, a few down on last year and fewer than for many years, if not ever. Large as the show still is, this easing of pressure has made for as uncluttered and effective a hang as I can remember, which has been further improved by two sensible changes in the disposition of the work. The prints have been moved to the Large South Room, and sculpture has left its conventional home, the large Lecture Room, to be dispersed more generally through the galleries, though with local concentrations in the corner galleries VIII and X. In addition, Gallery IX, which usually is crammed with screens and a mass of smaller canvasses, has been given over to fewer but more substantial paintings, while the huge Gallery III has, at 49, fewer paintings on show, I suspect, than in any of the previous 220 exhibitions.

None of the galleries is badly hung and altogether there is a quality of openness and clarity to the show that is admirable. But there is a worrying aspect to such virtues. With so many large works included, both figurative and abstract, put in by members and by invited artists, and with so comparatively reduced a final total, the open submission is inevitably squeezed harder than ever. The danger to the golden goose is less likely to come from prices that are too high than from a narrower show that is but the creature of established artists and their dealers. One would suggest a modest self-denying ordinance on the part of the Academy as to the space they take up. No open exhibition can ever be better than its submission, and without the independent artists who have always supported the Academy in the past, when the stars were conspicuously not interested, there would be no Academy.

As always, to mark the visitor's card would be to turn comment into the mere writing of a list, but here are a few names to notice. Of the members, Peter Greenham, Norman Blamey, Robert Buhler, Elizabeth Blackadder and, this year especially, Peter Coker and Leonard Rosoman are outstanding, with de Grey, Weight, Ackroyd, Dunstan, Ward, Adams and Olwyn Bowey as sound as ever. And the three large and magnificent canvasses in the Rotunda, by the late Norman Stevens, mourn a remarkable talent prematurely lost.

As for the non-members, Derrick Greaves shows splendidly and not before time, with Gus Cummins, Albert Irvin, Jenny Durrant, Sargy Mann and Peter Freeth all distinguishing themselves.

"Gillian Reclining" by John Ward

"The Stricken Tree" by Carel Weight

Architects: high-tech or soothing

THE ROYAL Academy Summer Exhibition is like an old dog. There is the same cosy reassurance that it is still there year after year. Now and again it shows a sudden sign of life like the venerable canine lurching in his dream towards a remembered rabbit.

The architecture room, since it was moved to a more central position, does show signs of life. This year, perceptive visitors could piece together something of a portrait of the architectural shape of the nation. There is a model of one of the Channel Tunnel terminals, a proposal by Nicholas Grimshaw for the one at Waterloo. A lively model complete with palm trees indicates that passengers will have a cheerful welcome. But the model also shows a considerable area that looks as though much of the atmosphere may be somewhat subterranean.

Models always inspire and inform. Sometimes they can amuse. The large "Leggo" model of the Pompidou Centre exhibited by the Richard Rogers Partnership disarmingly shows the toy sources for so much "high-tech" architecture. The same architect exhibits his proposals for the enormous shopping centre and car parks to be built in London's Royal Docks. It is a massive scheme; but how will people respond to its apparent inhumanity?

The drawing of the Avenue de Chartres car park in Chichester by the architects, Birds Portchmouth Russum, show the opposite approach. They offer a way of making a giant car park look like the bastions of a fortified city.

Fine wooden models by David Blissett of triumphal gateways to the new south courts of Hatfield House are beautiful in themselves. They suffer in the exhibition, as do so many of the entries every year, from being shown without any accompanying explanation or plans. I can only imagine that the plans for Hatfield are on the scale of the existing house. If this is the case, then England is going through a building boom to match the explosion of the great Jacobean fantasy houses.

Certainly, an architect like Quinlan Terry is reaping the rewards of Thatcherism with a long client list for new country houses. His Palladian villa in Connecticut is full of ideas for classically designed small houses. His flint facade for the McAlpine House has real charm. Today so many classically inspired buildings are being built again.

The Academy's architectural exhibition always painfully emphasises the gap between conventional architecture and mad modernism. Exhibitors like Peter Cook and Christopher Dring are presumably shown because they produce clever drawings with titles like "Blue Jelly One" and "Retroblue '86." What they represent is the urban nightmare that has caused so much misery and distress in the 20th-century. But their visions are not so far from reality.

One thing about the Academy is that it still has immense power to soothe – the country houses and cricket pavilions are an antidote to the ambitions of modern architectural aggression.

Colin Amery

Should the churches sell off their silver?

*In the wake of the Mappa Mundi fiasco, **Antony Thorncroft** discusses this thorny question*

HEREFORD Cathedral's attempt to raise an estimated £7m for its fabric by cashing in one of its most celebrated assets, the 13th century Mappa Mundi, has reached an impasse. After first evoking the spectre that it would sell the map at auction through Sotheby's, then bowing to the storm of criticism to such an idea and devising an abortive scheme to raise the money through a share issue, with investors in the £1,000 shares receiving a facsimile copy of the map for their pains, the Dean and Chapter are back where they started, having lost a great deal of face and good will on the way. No wonder the Dean has been away this week.

All the possible avenues of help are distancing themselves from the mess. Sotheby's, which must regret agreeing to act as advisers in the first place, (the bad publicity that would have followed if it had sold the map at auction would have ruined for ever its pretence of being a serious upholder of the national heritage) says that Hereford is not currently in touch. Although the Dean still nurtures the idea that it will send the map to auction if all else fails, this is really a hollow gesture. The Arts Ministry would never grant an easy export licence, which would deter rich foreign bidders.

The National Heritage Fund is even cooler. It did not like being bounced, under the threat of the auction, into its offer of £3m (£2m from its own reserves, plus £1m from that great collector of ancient manuscripts J. Paul Getty Junior) which would have aimed to keep intact not only the map but also the cathedral's more valuable chained library, an offer based on the understanding that Hereford would raise £2m from its own efforts.

When the Dean and Chapter convinced themselves that they could obtain more money from the share option, the NHF reckoned that it was freed from any commitment. "We are in a new ball game now," says the Fund's director Mr Oliver Harris. The Cathedral has not been in touch with the Fund and although this week it launched a £2m appeal, there is no guarantee at all that if it succeeds in raising this sum the Fund will top up the money.

The Fund is cross with Hereford not only for letting Sotheby's talk it into an auction, but also because cathedrals in general are, according to Oliver Harris, "appeal worthy." From York to Salisbury, from St Pauls to Winchester, millions of pounds have been raised by well wishers, both private and corporate, to shore up their fabrics. Hereford may have problems with its appeal because of the bad publicity it has generated lately, but this is reckoned to be the right path. Auction sales are the wrong path.

There have been instances of churches raising money for essential repairs by selling off silver communion cups and the like – St Martin's-in-the-Fields in London caused a furore by disposing of 18th century silver at Sotheby's in the early 1970s – but such cases are comparatively rare. Cashing in treasures discourages new gifts, and before it can proceed a church needs the approval of its Diocesan Chancellor, who is usually reluctant to give it. The Anglican church at Faversham has just been refused permission by the Canterbury Chancellor to sell off silver. He considers the old routine of bring and buy sales and charity walks are a better, if longer, path to raising the money for essential repairs. In addition, the prices paid for ecclesiastical silver at auction are not that great.

For cathedrals it is the Bishop who must give the go ahead for a sale, but no cathedral seems to be encouraged by Hereford's example. It is unthinkable that Lincoln could even consider selling its copy of the Magna Carta, or Durham its Anglo Saxon manuscripts, or Canterbury the Black Prince's armour. In any case the most valuable possessions – the stained glass and the tomb carvings – can hardly be removed and sold off. The Church is very conscious of its role in maintaining a continuing tradition down the centuries.

There is, however, one area causing concern at the moment. In the Middle Ages knights were often buried in churches with their armour hanging above their tombs, and the tradition continued into the 17th century. Most sets of armour disappeared over time but around fifty helmets survive. Given the dangers of theft from churches – which means that most are now kept locked – armours have been entrusted to museums, and, in particular, to the Royal Armoury in the Tower of London, which has around twenty.

Now the church at Aldbrough north of Hull is considering selling its rare 14th century helmet, which is on loan at the Royal Armoury and it wants £20,000 for it. The Royal Armoury is reluctant to commit itself to buying the helmet. Because of ecclesiastical law it could not own it outright; there could be a worrying knock on effect involving it making offers for the other helmets on loan; and the helmet is part of the parish church's heritage and should not be lightly sold off. Anyway, the knight's descendants have the final say.

Religious objects are sold not only for financial reasons but because they are often in danger of theft or breakage. This is the factor behind one of the most important sales ever of a religious artifact, which takes place at Bonhams in London on Thursday. It is offering the altar candlesticks that the potter Hans Coper made for the Meeting House in the University of Sussex in 1965. They could well sell for £70,000, doubling the record for any item of 20th century ceramics.

One day the State may well take over the responsibility for the maintenance of our cathedrals and churches. The Church of England hopes that day is far off. In the short term it is doing its best to keep in business without selling off its accumulated relics, and dislikes any development, like the Mappa Mundi affair, which suggests, however fallaciously, that this might be a solution to its financial problems.

Irish stone walls and Lords of the pergola

***Robin Duthy** scours the salerooms for investment bargains. His purchases are on paper only*

PAINTINGS by the leading Irish artists of this century – Roderick O'Conor, William Orpen and Jack Butler Yeats (the poet's brother) – have climbed in value at an annual rate of 25 per cent since 1975. They may keep rising, but attention is now focusing on a group of fine but less famous artists.

Paul Henry (1877-1958) fits into this category though he may be in line for promotion. I "bought" for £26,000 "The Stone Walls of Galway," an impressively simple yet strong landscape at an exhibition put on by Ian Dunlop at Kyburg Ltd, 39 Duke Street, St James's, SW1.

It was a striking reduction of a subject to its basic elements – a distant range of mountains, white-washed cottages and stacks of peat – gently though unromantically handled.

By an almost schematic approach Henry brings off the soothing, perhaps therapeutic effect of an unspoilt landscape. Harassed city-dwellers and expatriate Irishmen will easily imagine the sky spreading over their head and the smell of peat in the air.

Indeed part of the investment argument for Irish painting is that once Irish-American collectors are shown how good it is, they will find it hard to resist.

Arrangements for an exhibition in New York are already in hand. Meanwhile, Henry's prices, already up 1,000 per cent since 1975, should keep climbing.

★

At Sotheby's sale of garden statuary on May 31 I "bought" for £5,720 a pair of 18th century Portland stone lions.

They are boldly carved with full shaggy manes; each wears a different expression that can be read as anything from submissive to defiant. However you think of them, these creatures look like lords of the pergola rather than the jungle, but no less attractive for that.

Prices in this market have been patchy. Overall, the rise since 1984 when Sotheby's began these sales has been around 100 per cent with the finest pieces, whether carved or cast, doing well above average.

Apart from obvious criteria of value such as artistic quality, size and condition, prices are based on two scales of value – material and age. Broadly speaking, marble comes at the top followed by stone, bronze, lead, cast-iron, terra-cotta, spelter and finally composition stone etc.

But there are endless exceptions; good composition pieces – Coadestone, for example – can be worth much more than mediocre bronze.

As for age, broadly speaking the older the carving the better and more expensive it will be. Ancient Greek marble is on a par with Renaissance, but from the 17th century through to the present there is a gradual decline in quality and price.

Even the issue of condition is blurred. In most areas of the art market pristine condition is much prized. Yet signs of ageing in garden statuary can add to its value. Weather-beaten stone especially, with its varied colouring and lichen growth, can be attractive; if the stone is too weathered, though, and the details of the carving are lost the value of the piece plummets.

Carving in stone or marble calls for great skill. It may be done competently or it can be a a work of genius. Either way it is vastly more appreciated than any form of casting. That's why good quality one-offs will do best in the long term.

One of a pair of 18th century Portland stone lions

First century gold earings

★

Finally, at Christie's antiquities sale last Tuesday, I "bought" for £1900 a pair of fine and and very pretty Hellenistic gold ear-rings.

Made just over two thousand years ago, each is made of a twisted wire hoop with a lion-headed terminal and a beaded collar. They have more artistry than any modern ear-rings I have seen at this price.

I can't explain why I prefer them to a brand new pair of the same design. It seems irrational to value age for its own sake, so it must be that the gold mellows to a softer colour; also perhaps the knowledge that the ear-rings have been worn and treasured by a long succession of women.

ARTS

What price new plays?

Michael Coveney reports on a new theatrical venture, Turnstyle

AS LIFE and art become more complicated, and more conglomerated, in the entertainment business, the fate of a newly formed production venture, Turnstyle, will be eagerly watched over the coming months.

Turnstyle aims to bridge an unspeakable gap between the interests of property companies and the true flame of original theatre. It was formed last August by Howard Panter, an independent producer of vast technical experience but uneven commercial track record, and Michael Attenborough, the son of Sir Richard who turned round the Watford Palace in a spectacular regime earlier this decade before moving on to run the Hampstead Theatre for five years.

The enterprise comes into sharp focus next week with the opening at the Comedy Theatre of Terence McNally's off-Broadway hit, *Frankie and Johnny in the Clair de Lune*, a steamy two-hander of sex among the kitchen staff starring Julie Walters and Brian Cox. Turnstyle manages the Comedy, and the Phoenix (Dustin Hoffman's temporary home), for Chesterfield Properties plc, the company that also owns the Curzon cinemas and the Albery family clutch of West End theatres recently acquired from the Maybox Group.

The other big business connection is with London Edinburgh Trust plc, who plan to turn Woking, of all places, into a curious amalgam of Milton Keynes and Las Vegas by 1991. LET's investment in Woking's leisure facilities amounts to £20m. Turnstyle will operate this complex of theatres, cinemas and night clubs by day while scouring the fringe circuit and regional theatre by night for new product that might keep the Turnstyle turnstiles clicking.

The company also has an operating contract with Merton Borough Council for a similar development in Wimbledon. As Panter says, "A lot of local authorities want better arts facilities, but they don't know how to run them. They build them with the property developers and come to people like us to make them work. What we are witnessing is the wholescale privatisation of local leisure and arts facilities."

On the creative input side, the energy is similarly Thatcherite. Turnstyle has initiated a development fund tied in to various American theatre companies, including Jujamcyn, one of the three big New York theatre owning corporations. Immediately available seed money of £250,000 has secured commissions from seven prominent youngish British dramatists who include Sharman Macdonald (whose *When I Was A Girl I Used To Scream And Shout* Panter converted from a mild fringe success to an international money-spinner), Dusty Hughes (the unheralded lyricist of *Metropolis*) and Stephen Bill (whose *Curtains* closed shortly after Panter shifted them from Hampstead to the Whitehall).

"Even the Royal Court, our leading platform for new writing, can't spend more than £30,000 a year on commissions" says Attenborough, mildly miffed that I should suggest he has abandoned the pure world of subsidised theatre for the commercial sector. "I spent 17 years in the subsidised sector, which this Government is driving into the ground. Nowadays, you need a special kind of heroism to work in, say, a big regional house, and too many of our artistic directors are spending too much time being polite to potential sponsors.

"I want good new writing in the theatre, but I also want a better deal for the writer. I did a play by Martin Allen at Hampstead *(Particular Friendships)* which gained rave reviews and sold out for six weeks. On the last night, Allen said to me "Fine, but I still can't pay my mortgage." I want to change that.

The commercial potential of new plays is a long-running saga. You just never can tell. Producers like Michael Redington, Josephine Hart and Robert Fox are at least as committed to new writing in the West End as are Turnstyle. But Turnstyle hopes for increased jackpot opportunity by altering the terms of involvement.

Panter, commenting on the predominant arrangement of landlords and tenants in the West End theatre, advocates "a more integrated style of management and ownership. I think it's inevitable after 40 years of the old system. Even Michael Codron is now involved in the running of three West End theatres." As a producer, Codron remains the great success story in new theatre writing. He has been associated with all the money-spinning class acts – Pinter, Ayckbourn, Simon Gray and Michael Frayn. But he disavowed the new generation after losing his entire investment on Anthony Minghella's *Made in Bangkok* a few seasons ago.

Companies like Turnstyle do not fear to tread where history suggests they are foolish even to slip on the patent leather evening shoes. In the middle 1970s, Helen Montagu joined H. M. Tennent with a view to revitalising Shaftesbury Avenue with her Royal Court protégés. She failed. No Royal Court writer between David Storey and Caryl Churchill has proved commercially viable. Turnstyle look to the new realists of the Bush and Hampstead, but this area of work has denied the epic, political and theatrical gesture for too long to have, in my view, any great significance in the marketplace.

We are left with re-heated slices of mythic American life, usually set in the Deep South, or, on home ground, navel-contemplating exercises in sentimental post-feminism and extended media-orientated in-jokes.

Impervious to a crisis in the material of the theatre culture, Turnstyle seeks bravely to amend the means of production. "The major problem of new writing," says Attenborough, "is its ghettoisation. We want these talented writers to work in larger spaces, and to earn more money for themselves." And, presumably, for Turnstyle.

Alastair Muir

Howard Panter, Michael Attenborough

Watershed time for both Hands and the RSC

SPEAKING AT the Barbican Centre in London on Thursday, Terry Hands, artistic director of the Royal Shakespeare Company, confirmed that his successor, to be announced in the Autumn, will be fully in charge of the 1991 Stratford-upon-Avon season.

"I have a say in who succeeds me, but no authority" he said, revealing that he prefaces all his remarks to the RSC Governors these days with the caveat that they *should listen to him only if* they want the RSC to continue as it is.

Hands admitted that a "rot set in" three years ago in the company's attitude to being in the Barbican, so changes in the building are now underway. The RSC was on an upward artistic graph, he alleged, and "the crowds are back with us." Attendances are currently running at 85 per cent of capacity in Stratford-upon-Avon and 80 per cent at the Barbican.

But the company remains in dire financial straits. The three-year £1m sponsorship from Royal Insurance is at an end, and has yet to be replaced. *Les Misérables*, especially, and *Les Liaisons Dangereuses*, continue to earn money for the company, but more commercial success is needed. And, Hands admitted, the current overall deficit of £1.2m could easily rise quickly to £2m.

"This is a watershed time," he said, as the RSC was the subject of various policy studies and intense Arts Council scrutiny. Unlike the English National Opera, however, the RSC is not yet operating a budget deficit. "But I see little financial hope for the future" Hands continued, denouncing the Arts Council instruction for the company to raise its seat prices by 10 per cent each year while the grant was frozen at 2 per cent and inflation was running at 8 per cent.

Hands himself will direct the first new play to be presented by the RSC in the Swan at Stratford, Peter Flannery's *Singer* (opens September 27) for which Antony Sher is rejoining the company. Other Stratford highlights this autumn include Trevor Nunn's *Othello* with Willard White (Nunn's Glyndebourne Porgy) and Ian McKellen, scheduled for six weeks only in The Other Place (from August 9) before coming down to London and the Young Vic for eight weeks starting September 20; and a new *All's Well That Ends Well* directed by Barry Kyle on the main stage (September 28).

The Stratford autumn season opens on September 7 with John Caird's *As You Like It* in which Sophie Thompson, younger sister of Emma, will replace Harriet Walter who has departed to make a film with Louis Malle before returning to play the Duchess of Malfi in the Swan. An even bigger blow, underplayed by Hands on Thursday, was the loss of Brian Cox as Antony to the West End and *Frankie and Johnny*. The previously announced main stage *Antony and Cleopatra* will go ahead in November, Jane Lapotaire's queen of old Nile awaiting her as yet uncast prey by the Avon.

Hands sounded a note of bitter critical regret at leaving a company he has served for 25 years, echoing similar valedictory remarks of Sir Peter Hall when he left the National Theatre. His voice of protest at Government and Arts Council policies, he promised, would be raised even higher in future months.

In a rueful reference to the disaster of *Carrie*, he said he would not be doing any more musicals "for obvious reasons," nor was he a freelance director by temperament. In what sounded like a farewell to the stage he said he was interested in the long haul of "setting up movies."

Michael Coveney

Scene from an open air production of "Much Ado About Nothing" put on by the Duke's Theatre, Lancaster in Williamson Park

Enchanted eve

YOU COULD not ask for more attractive settings for *Much Ado* than you have in Lancaster's Williamson Park, a bequest to the city from Lord Ashton ("the linoleum millionaire," as the official handout describes him). Don Pedro and his company return from the wars – the Napoleonic wars, to judge from Graham Shairp's costumes – across a green grassy slope, to be received by Leonato on the steps of the massive Edwardian baroque Ashton Memorial.

Here Beatrice (Buffy Davis) is painting a portrait of Hero (Jane Nash). Then the audience is led to a courtyard on the other side of the memorial, where there is dancing and singing to the music of Chris Larner (who also plays Borachio) to celebrate Hero's engagement to Claudio (Francis Middleditch). Claudio, with Leonato and Don Pedro, is next met rowing round a handy artificial lake, not seeing that Benedick (Terence Beesley) is there in another boat from which to voice his joys of bachelordom.

Quite a long way off, at the bandstand, the Watch, led by Ian Blower's Dogberry, overhear the plot to libel Hero, and we see the dreadful consequences at the spoiled marriage in the same courtyard as saw its early initiation. Don John (Fergus McLarnon) retires in triumph with Claudio, while Beatrice kneels for a moment at the altar before charging Benedick with his duty ("Kill Claudio!" in a quiet but earnest command.)

The Watch's interrogation of their suspects, Conrade tied to a tree upside down, takes place is a little glade where earlier we have seen Pedro's officers playing French cricket and the court ladies playing battledore-and-shuttlecock. The events that lead to Leonato's trick offer of a new bride for Hero are back in Leonato's castle at the Memorial, but we are not to stay there. All the final revelations and propitiations take place in a steep little valley illumined with torches hanging on the rocky walls, and the ultimate dual marriage is celebrated with fireworks.

We are led by a cicerone from one scene to another along the paths of the park. Not unnaturally, Shakespeare's "two hours' traffic" is extended to three-and-a-half; and not unnaturally the electronic reproduction of the voices is sometimes a handicap. (I loved the electronic nightingales in the woods.) But I found the whole evening enchanting, even though a light rain began to fall.

Ian Forrest is the director responsible for these pleasures, with Mark Frisby at sound and lights. This is not an occasion to describe subtleties of performance. Beatrice and Benedick were always charming to watch; Dogberry's jokes kept the audience amused; Don John radiated unpleasantness, Leonato was a great advocate for middle-age. Chris Larner's music suggests a rather daring composer of 19th-century anthems. The linoleum millionaire is the star.

B.A. Young

Chess No. 776

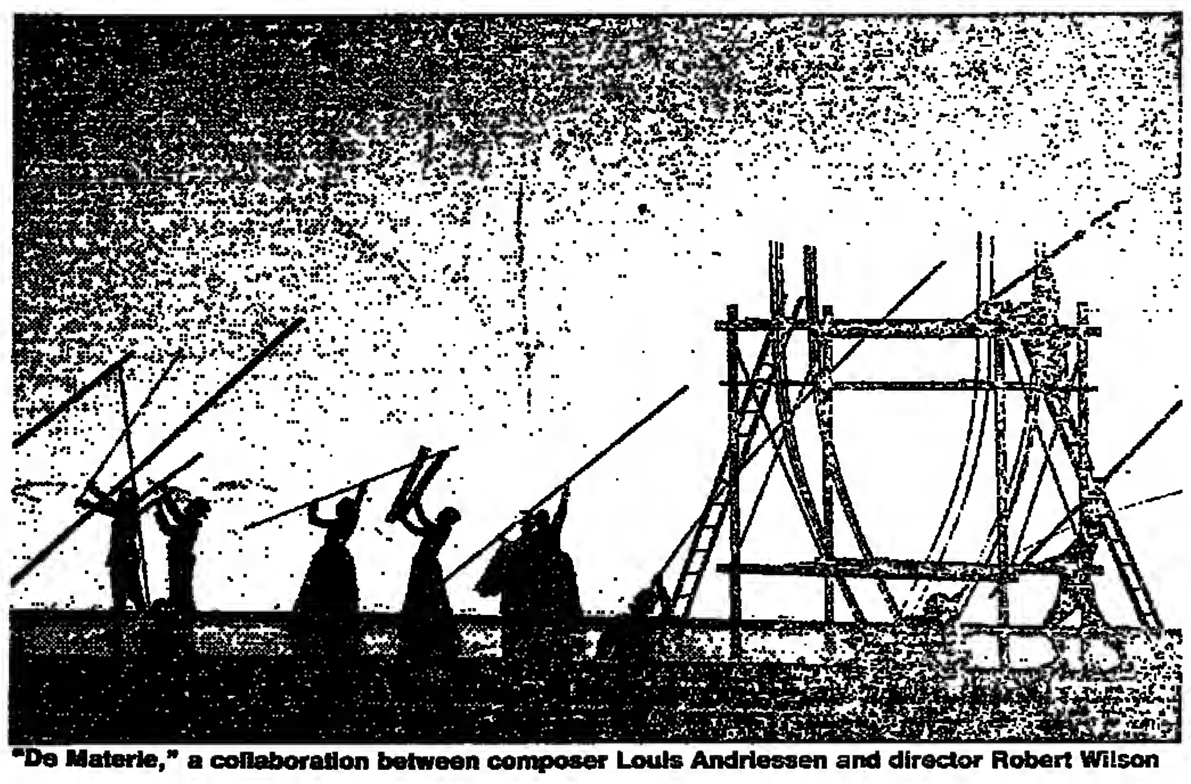
The readers proposed 1 N-K3 "mate," but the knight is pinned against White's own king. So 1 Q-B8 (threat 2 Q-KN8) when if 1 ... N-Q5 White really can mate by 2 N-K3.

NETHERLANDS Opera's main contribution to the current Holland Festival is the world première of *De Materie*, a collaboration between composer Louis Andriessen and theatre director Robert Wilson, staged in the Amsterdam Muziektheater and described unambiguously but somewhat wishfully as "an opera in four parts."

Since his celebrated operatic debut with Philip Glass and *Einstein on the Beach* in 1979 Wilson appears to have moved progressively away from straight drama and further into his highly personal exploration of music and theatre; there has been a *Medea* with Gavin Bryars in Lyons, an opera constructed around the life of Bessie Smith with Ralf Liebermann in Hamburg, *The Forest* with David Byrne of Talking Heads in Berlin, and *the CIVIL WarS*, the multi-media extravaganza involving numerous composers conceived for the Los Angeles Olympics in 1984.

Wilson's tendency has always been to work with minimalist composers, who could be relied upon to produce pastel-coloured musical backgrounds upon which he could construct his sequences of ravishing stage images. Andriessen has put down roots in minimalism too, but his musical language is more wide-ranging; it has harder edges, aggression and sometimes genuine emotional power, and Wilson was more likely than usual to be confronted with a collaborator with his own very definite musical and dramatic ideas.

Because of the intrinsic strength of both personalities, *De Materie* manages to combine an immediately recognisable product of Wilson's visual imagination with a score of Andriessen's familiar feisty immediacy. There is no narrative: each of the four parts has a separate identity, and the scheme is bound together by a shared preoccupation with the relationship of spirit to matter (hence the title), and a series of visual and harmonic tags.



"De Materie," a collaboration between composer Louis Andriessen and director Robert Wilson

Minds over matter

Andrew Clements reviews Robert Wilson's latest musical excursion at the Holland Festival

Each is founded in a historic episode: in the first the text is derived from the 1588 declaration that established a United Dutch State, contemporary prescriptions on ship-building and a 16th-century dissertation on the atomic theory of matter by Gorlaeus; the second sets a meditation on religion and sensuality by the 13th-century mystic Hadewych; the third quotes texts relating to Mondrian and the De Stijl movement in the visual arts; the fourth centres on Marie Curie.

Andriessen apportions the texts between a chorus in the orchestra pit, two narrators, and soprano and tenor soloists; his music veers between jagged, brassy repetition and hieratic Stravinskian chorales, occasionally dissolving into moments of Berio-like luminescence. The mixture is always engaging, and sometimes stirringly beautiful, though not intrinsically dramatic, and tends to pursue an independent course from Wilson's beguiling stage parade of historical allusions. It's hard to imagine the vast acreage of the Muziektheater filled with a sequence of more elegant images; a snapshot taken at any moment of *De Materie* would be crystalline, perfectly balanced, with Wilson's deployments and decors effortlessly counterpointed with Frida Parmiggiani's costumes and Jennifer Tipton's lighting.

With the help of the beautifully produced programme book one registers at least some of the rich imagery, and gradually teases out something of the intricate web of cultural references in which Wilson wraps his scenario, just as one learns to "read" his gestural scheme – a dancer might appear to perform a cartwheel and then depart; she will then reappear, perform the same cartwheel but add to and develope the sequence, and so continues to build up a statement throughout the scene, offering a visual counterpoint to the music.

In that sense *De Materie* was utterly fascinating, by no means "opera" in the conventional sense of music, text and gesture brought into intimate symbiosis, but a masterly theatrical experience underpinned with an often impressive score of distinct personality. It was consummately realised: conducted with clarity and attack by Reinbert de Leeuw, the solo vocal lines taken with uncomplicated directness by James Doing and Wendy Hill and the choreography (by Suzushi Hanayagi) led by the compelling Beppie Blankert.

There are further performances in Amsterdam until June 17; then the show moves to Rotterdam and The Hague. It should be seen.

Radio

Community interests

LONDONERS not content with the BBC have at present three other legitimate choices, LBC and two sorts of Capital. Now there are 32 applications for another, a "community of interest," FM channel, plus six specifically from Brixton, which claims special ethnic needs. There are also 18 "multi-ethnic" applications for VHF/AM contracts. I have been sent details of two of the "community of interest" stations, but, not being a Londoner, I don't take sides.

One is Melody Radio. This will offer 168 hours a week of melody, vocal or instrumental, classical or current, anything as long as there is a good strong melody line. Speaking as a neutral, I would say this sounds just like Muzak, much heard but little praised.

The other is London Jazz Radio, with a 24-hour jazz service every day, including Afro-Caribbean and Soul. I personally feel that there has been little worthwhile jazz since the 1940s, so I should not myself be a constant listener. Then there are 15 applications for Birmingham and some others. The IBA will give its decisions in, or soon after, July.

Veering 180 degrees, Wednesday evening on Radio 3 was devoted to Sir Isaiah Berlin, to celebrate his 80th birthday. It was a highly miscellaneous evening. It began with half an hour's *Third Ear* conversation with John Drummond, in which some personal detail of the programme was discussed. Next, records of Alfred Brendel (a friend), playing Schubert. "He thinks while he plays," Sir Isaiah said, and brings out the tragic side of Schubert even better than Schnabel.

Schubert was followed by the first of the Mellon Lectures of 1966, on the general subject of *Sources of Romanticism*, of which more in a moment. Then came a concert (also on records) of music by Stravinsky, who was a friend. Sir Isaiah was funny about going to hear *Figaro* at Covent Garden with Stravinsky, who left at the end of the first act on the ground that his party all had diarrhoea. We heard *Abraham and Isaac*, whose words were chosen from the Book of Genesis, in Hebrew, by Sir Isaiah when Stravinsky unexpectedly announced his intention to dedicate a work to the state of Israel (Stravinsky knew no Hebrew). Then, *Les Noces*.

The lecture, which I shall not try to summarise, was subheaded *In Search of a Definition*. The search, which called in thoughts from an infinity of thinkers ("a more familiar example, Aristotle" is the kind of phrase we heard) dealt broadly with the years 1760 to 1820. So many conflicting ideas were quoted, all with due respect, that the search was still going on when the lecture ended with a spray of alternatives rather than an answer to the question. The lecture was both instructive and witty. I shall do all I can to hear the next one on Monday, and I recommend listeners, even if as ignorant of philosophy as myself, to do all they can to make time for it.

After the lecture, the celebration ended with a reading by Richard Pascoe of Sir Isaiah's translation of Turgenev's story *A Fire at Sea*. This many-faceted approach seemed to me a good kind of celebration, with something for everyone except Melody Radio or London Jazz Radio.

The 100th anniversary of Gerard Manley Hopkins's death has been marked mostly with reference to *The Wreck of the Deutschland*. Last week's Wednesday Feature on Radio 4 gave a documentary account of the wreck, and on Wednesday this week, Radio 3 had a reading of the poem by Alan Rickman, with an introduction by Peter Levi. On the same day, Radio 4 gave a tender biographical sketch of the poet under the title *Uncreated Light*, with fine readings of several poems, the *Wreck* first.

B.A. Young

SPORT

***John Barrett** has been crystal ball-gazing at the French tennis championships in Paris*

Teenagers on their way to the stars

THIS WEEK I looked into the future. I liked what I saw. My crystal ball was a rectangle of red clay – the centre court of the Stade Roland Garros in Paris. There, during the course of the 59th French Championships, which reach their climax this weekend, I have watched the emergence of two extraordinarily *talented* young players.

One is an American boy of Taiwanese descent who is 17, was born in Hoboken, New Jersey and lives in California. The other is a slip of a girl aged 15½ (going on 25), who has a Hungarian name, was born in Yugoslavia, lives in Florida and speaks American with machine-gun pace in a delightful mittle-European accent. A complicated pedigree, it seems, is no barrier to sporting success.

Michael Chang and Monica Seles will remember the 1989 French Open. So will all of us who saw them there. By reaching the semi-finals of a Grand Slam Championship for the first time, these two have suddenly come of age in a most dramatic way and *their* record-breaking deeds will become part of the game's folklore. The common links are youth, mental strength and exquisite timing.

By winning his semi-final yesterday 6-1, 5-7, 7-6, 7-5, against Andrei Chesnokov of the Soviet Union, Chang becomes the youngest player ever to reach the final of the men's singles at a Grand Slam Championship. He is a clear six months younger than Mats Wilander was when he won here, unseeded, in 1982, and even four months younger than Boris Becker was when he achieved a similar feat at Wimbledon three years later.

Monica, a left-hander who emits a loud grunt every time she hits the ball, is the second youngest Grand Slam semi-finalist. In 1985 Gabriela Sabatini was only three weeks past her 15th birthday when she reached the last four in Paris and lost to Chris Evert 6-4, 6-1. But the manner of Monica's assault on the world champion and Grand Slam winner Steffi Graf on Thursday left no doubt that she is an altogether different prospect.

The slow bounce on the red clay surface in Paris always makes it difficult to hit winners. Accordingly the French Championship is physically the most testing of all. Chang discovered the truth of that in his exhausting four-hour battle against the world No 1 Ivan Lendl on Monday. His 4-6, 4-6, 6-3, 6-3, 6-3 win will rank as one of the most astonishing upsets in the history of tennis. Against the three-time champion, the most professional player of the day, Chang was given no chance. After Lendl had safely tucked away the first two sets, a rout seemed inevitable.

But, the nimble Chang, looping the ball back to a length until a short ball allowed him to go for a blazing winner on his double-handed backhand, never stopped believing. A born-again Christian, he has a delightfully simple view of life. "If the Lord wanted me to win I knew he would help me," he said later.

He was afflicted with cramp in the final set. But self-help is also part of his philosophy. A cheeky underarm serve took Lendl by surprise and had the crowd roaring with delight. At match point the old ploy of standing close to the service line on a second serve got the crowd going again and, after a long delay while they settled, brought the hoped-for double fault to end the match.

So what is the basis of Chang's game? First and foremost he is a born competitor who knows when and how to exert the right pressure. Slight of build above the waist, he lacks power on the serve but his beautiful timing, on both the somewhat cramped forehand and penetrating backhand, allows him to take the ball on the rise to embarrass his opponents with their own pace. Strong and sturdy legs carry him about the court with blistering pace so that, time and again, seeming winners are rifled back past an astonished adversary. Michael volleys beautifully when required, although he prefers to work out the rallies from the back of the court.

At first sight Lendl's collapse is inexplicable. Why did so experienced a match player not use the drop shot and lob to destroy a cramp-afflicted opponent? Why did he simply feed the ball back instead of hitting it harder as he normally does?

I believe the seeds of Lendl's collapse may have been sown in Melbourne in January when he said that his main target for 1989 was Wimbledon. While I would not suggest for one moment that he was not trying in Paris, his internal computer has been programmed to succeed on grass later this month. When the time came for the supreme physical and mental effort this week the computer could not respond.

Seles is the best 15-year-old the game has seen. Her quick brain allows her to answer questions with the speed of a rifle shot. Her responses are a mixture of disarming honesty and worldly wisdom.

Her tennis reflects these qualities. She lives on the baseline; on it, not behind it. I have never seen anyone who can counter-attack with half-volley drives of such power and precision – nor heard such evidence of the effort expended. This was only her sixth professional tournament and her first appearance in a Grand Slam. The way she destroyed the 4th and 6th seeds Zina Garrison and swept to the last four without losing a set served notice of her true worth.

Defending champion Steffi Graf was most relieved to survive 6-3, 3-6, 6-3, after an emotionally draining performance that was much closer than the score suggests. Graf will have a much easier ride this afternoon against 17-year-old Arantxa Sanchez, who beat Mary Joe Fernandez of the US 6-2, 6-2 to become the first Spanish girl to reach the final in Paris. Today Steffi should equal Martina Navratilova's record of six successive Grand Slam titles.

However, looking once more into my crystal ball I can dimly sea a new world champion emerging. Mercifully, I cannot hear her.

Two for the future: teenagers Michael Chang (above) and Monica Seles

Golf

Three to watch in the US Open

HOW THE balance of power in championship golf has changed. On arriving in Westchester, New York, this week for the Classic Tournament, to be sponsored for the last time by Manufacturers' Hanover, I could find nary a single soul who wanted to bet that an American professional would win next week's 89th US Open Championship at nearby Oak Hill Country Club in Rochester.

The idea of the wager was to take less than a dozen foreign invaders and give my intended victims upwards of 140 Americans in the starting field of 156, terms which I believed to be eminently fair. But I could find no takers, so dominant have become the best players from Britain, Europe, Australia, South Africa and Zimbabwe.

Not even defending champion Curtis Strange could inspire confidence in his fellow countrymen, probably because he has failed to win in America so far this season, his one success being in Australia. The consensus was that the East Course at Oak Hill, is made for US Masters champion Nick Faldo's ability to hit the vast majority of fairways and greens, an apparently surefire recipe for winning the event in question, so tortuous is the rough. England's Faldo, runner up to Strange last year in Boston, will start as the hottest favourite since Jack Nicklaus was in his prime.

Oak Hill has a dauntingly difficult start and a testing finish. Every hole is lined on each side by the massive oak trees that give this parkland course its name.

Of the other most fancied contenders Australia's Greg Norman and Spain's Seve Ballesteros have put additional pressure on themselves but for different, if similar reasons. Norman keeps finding a way of losing major championships he *should have won. Questions* about his course management are inevitably being asked. In addition, a lot more are as unkind and cynical – as they are unworthy – about his courage.

Ballesteros has, by his standards, a rather poor record in an event he now covets most of all. While I respect his talent as the most brilliant in the world, I cannot see him winning many more major titles in this country until, and unless, he gives himself much more time in advance to become acclimatised. His rivals respect his brilliantly inventive stroke making, but they are in no way overawed by it, or him any more.

No one has managed successfully to defend the US Open title since Ben Hogan accomplished that feat in 1951. But that is no good reason for opposing the chances of Strange. His recent form, however, has been far from impressive. The best point to make in his favour is that he has not tired himself out in the weeks before his title defence, a quite valid one.

'Faldo is the hottest favourite since Nicklaus was in his prime'

The same could be said of Ben Crenshaw. But I often wonder if "Gentle Ben" – incidentally one of the great misnomers of the modern era – is not far too intense in his desire to win major titles. He is, however, undoubtedly the best putter in the field by far, which counts for so much in events of this stature, when the greens will be lightning fast. Mark Calcavecchia has very definitely gone off the boil after his two victories in a sensational start to the season, and the same might be said of the unbelievably consistent Tom Kite. But it was when Kite started to putt cross-handed, in the Kemper Open in Washington DC last weekend for the first time, that I erased him from my shortlist.

Sandy Lyle has a game ideally suited to Oak Hill. But the enigmatical Scot has been so long in the doldrums it is hard to imagine that he can suddenly spring back to his best form.

The mercurial Paul Azinger is in a similar slump, and Chip Beck has started rather slowly this year, but he is the fittest athlete in the field if the present numbing humidity is still around next week in upstate Rochester. Scott Simpson, who won at Olympic Club in San Francisco in 1987, and tied for sixth place last year in defence of his title, won in Atlanta three weeks ago, and I have no hesitation in naming him on my shortlist of three headed, of course, by favourite Faldo.

Oak Hill is the home course of the current US PGA champion Jeff Sluman, and he is a courageous little battler with a painful back. But the expectations of his faithful fans in the area will put too much pressure on him, rather than inspiring him. It is a tall order to win on one's own home turf. By contrast the massive Joey Sindelar, who grew up nearby is very familiar with the course and has the big game for it. Whether his form is adequate is another matter, and I have chosen to disregard him.

Mark O'Meara, tied for third place last year and loves the most difficult courses. He is my third man on the shortlist.

It is hard to imagine that one can leave out completely from consideration Nicklaus and Tom Watson. But, I believe that as Nicklaus approaches his 50th birthday, his legs are starting to betray him, while I dealt two weeks previously with the decline of Watson.

Perhaps the last straw for this great competitor came at Westchester when he lost his caddie of 15 years, Bruce Edwards, to Norman. Norman has not only offered Edwards a princely salary but this fortunate young bag carrier will get to travel with his master worldwide. More than 100 caddies jumped at Watson when he alighted from his car at Westchester on Monday. Tom immediately climbed back in, and entered by another entrance. One intrepid young man alone spotted the ruse, however, and now is Watson's proud bag carrier.

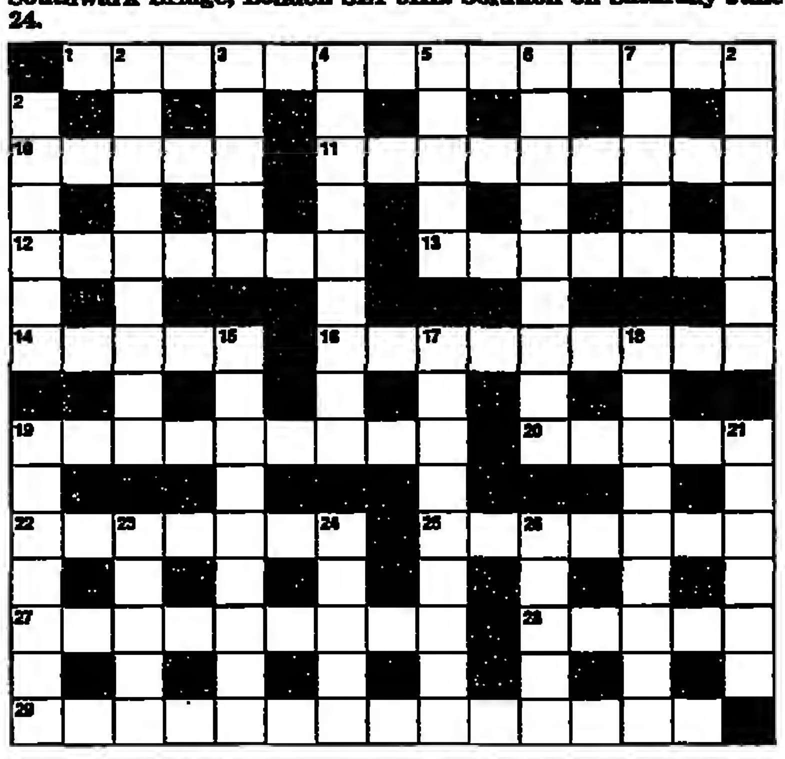
If I was to pick a dark horse, and I certainly respect his chances, it would be the very consistent South African David Frost. I feel that if and when this young man can win a major title it will only be the first of many.

Ben Wright

CROSSWORD

No. 6,956 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday June 21, marked Crossword 6,956 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 24.



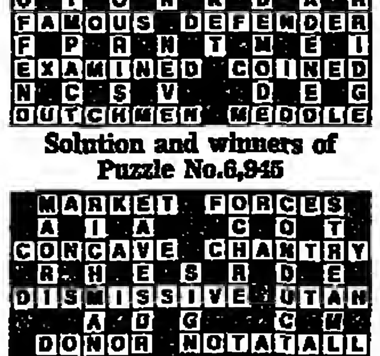
ACROSS

1 Just the ordinary native servant, coloured? (8,6)
10 Levant's first, Levant's smallest (5)
11 Mugger with bad characters in German city (9)
12 Gentle walker with string attached will take chances (7)
13 School subject in play (7)
14 Score not supplied by companion (5)
16 This brier could be for one of us (9)
19 Designer of creative work including note on the City (9)
20 Maiden in larval form? (5)
22 Shanty doing little good after time (3,4)
25 Beast stirring cocoa among sailors (7)
27 Rake with bally awful heart in the shade (5,4)
28 Less than 1,000 in America (5)
29 Managing a theatre with affectations needed to keep thing going (7,7)

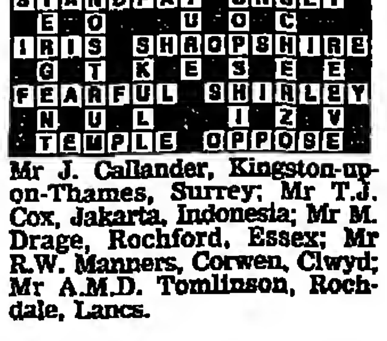
DOWN

2 Psychologically damaging to a ram? Cut it out! (9)
3 Born in South Africa? (5)
4 Good publicity upset lawyers during race (9)
5 Painter of French and American petrol (5)
6 Drawing of building at altitude (9)
7 Like the ring with a bit of the action in it (5)
8 Even a professional in service? (7)
9 Berry on pole provides catchword (6)
15 At the house I vote to turn over Number Ten to the masses (3,6)
17 Meddle and put old companion in the ground (9)
18 Nothing new, maybe, in old poet having to pay the mortgage? (4-5)
19 USSR are swayed by policy maker (7)
21 Art giving an edge that's straight (6)
23 Racial type of ordinary animal (5)
24 A lot of red and silver in USSR (5)
26 Tell (most) to stop (5)

Solution to Puzzle No.6,955



Solution and winners of Puzzle No.6,945



Mr J. Callander, Kingston-upon-Thames, Surrey; Mr T.J. Cox, Jakarta, Indonesia; Mr M. Drage, Rochford, Essex; Mr R.W. Manners, Corwen, Clwyd; Mr A.M.D. Tomlinson, Rochdale, Lancs.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

8:30 am Roobarb. 8:35 The Raccoons. 9:00 On the Waterfront. 10:52 Weather. 10:55 Grandstand, featuring 11:00 Cricket: First Test (England v Australia from Headingley); 1:00 News; 1:05 Badminton (World Championships from Indonesia); 1:25 Tennis (Women's final of the French Open Championships from Paris); 2:30 Racing from Haydock Park; 2:35 Tennis; 3:00 Racing from Haydock Park; 3:05 Motor Racing (The Le Mans from France); 3:30 Racing from Haydock Park; 3:35 Cycling (The Milk Race from Birmingham); 4:25 Cricket; 4:35 Badminton.

5:05 News. 5:15 Sport/regional news. 5:20 Rolf Harris Cartoon Time. 5:45 MacGyver. 6:35 That's Show Business. 7:05 Les Dennis Laughter Show. 8:05 Columbo. 9:15 News and Sport. 9:30 Midnight Caller. 10:20 Paul McCartney Special. 11:10 The Odd Couple. 11:35 Film: "Players" (1979) with Ali MacGraw, Dean-Paul Martin and Maximilian Schell.

BBC2

2:45 pm Network East. 3:25 The Natural World. 4:20 The Sky at Night. 4:40 Cricket: The first Test, between England and Australia, from Headingley. 6:10 The Story of English Furniture. 6:35 The Week in the Lords. 7:15 Newsview. 8:00 The Bollywood Story. 9:00 Three Jacks and Two Kings. 9:15 Film: "The Last Tycoon" (1976) with Robert De Niro, Tony Curtis, Robert Mitchum and Ingrid Boulting. 11:15 Cricket: First Test (highlights of the third day's play between England and Australia). 11:45-12:20 am Rapido.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Ghost Train. 11:30 The Monkees. 12:00 The Chart Show. 1:00 pm ITN News followed by ITV National Weather. 1:25 Local News and Weather. 1:10 Jobwatch. 1:40 Football: England v West Germany Schoolboys live from Wembley Stadium. 4:30 "Avalanche". 5:30 ITN News followed by ITV National Weather. 5:45 Local News and Weather. 5:15 Police 5. 5:20 The Incredible Hulk. 6:15 Young, Gifted and Broke. 6:45 Combat. 7:30 Brian Conley - This Way Up. 8:00 Jake and the Fatman. 9:00 ITN News and Sport followed by ITV National Weather. 9:15 Local Weather. 9:20 Dempsey and Makepeace. 10:15 Hale & Pace. 10:45 Hooperman. 11:15 Film: "The High Price of Passion" (1984 tv film), followed by ITN News Headlines.

CHANNEL 4

7:00 am Bright Sparks. 7:30 Streetwise. 8:00 Box Office Weekly. 8:30 The Oprah Winfrey Show. 9:15 Jazz Classics. 9:25 Murun Buchstansangur. 9:30 Hand in Hand. 10:00 4 What It's Worth. †10:30 Film: "This is My Affair" (1937) with Robert Taylor. 12:20 pm Way to the Top. 12:30 Dance with Me. †1:00 Film: "King Solomon's Mines" (1936) with Cedric Hardwicke, Paul Robeson, Roland Young and Anna Lee. 12:25 Movie Museum. 2:00 Channel 4 Racing from Epsom. 5:05 Brookside Omnibus. 6:30 Right to Reply. 6:30 When to Worry. 7:00 The World This Week. 8:00 Kingdom of the Sun. 9:00 UB40 Plays the Blues. 11:05 The Roseanne Barr Show. 12:05 am After Dark.

S4C WALES

As Channel 4 except:
10:30 am Hard News. 11:00 4 What It's Worth. 11:30 Auld School Ties. 12:00 Street Hockey. †12:30 pm Film: "A King in New York" (1957) with Charles Chaplin, Dawn Addams, Oliver Johnston and Michael Chaplin. 6:30 Paradise on Earth. 7:00 Cartoon Capers. 7:30 Newyddion. 7:40 Rasio. 8:20 Nyth Cacwn. 8:55 Ironbank Sell.
IBA Regions as London except at the following times:

ANGLIA

11:30 am Mr Merlin. 8:15 The Incredible Hulk. 11:15 Film: "Harper" (1966) with Paul Newman.

BORDER

11:30 am The Partridge Family. 11:15 pm Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

CENTRAL

11:30 am The Chart Show. 12:30 pm The Fashion Show. 8:15 The Incredible Hulk. 11:15 Prisoner: Cell Block H. 12:10 am Film: "The Renegades" (1982) with Patrick Swayze.

Paul McCartney is on BBC 1 at 10.20 tonight in "Put It There"

CHANNEL

11:30 am The Chart Show. 12:30 pm Supercross: Honda UK Open. 2:15 The Incredible Hulk. 11:15 Film: "Not Quite Jerusalem" (1985) with Joanna Pacula and Sam Robards.

GRAMPIAN

11:30 am The Chart Show. 12:30 pm A Iomadh Dutheich [illegible] Football - FIFA Under 16 World Tournament. [illegible] coming week of events in the Highlands and Islands). 8:15 The Incredible Hulk. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

GRANADA

11:30 am The Partridge Family. 8:15 The Incredible Hulk. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

HTV

11:30 am The Chart Show. 12:30 pm [illegible] 2:15 The Incredible Hulk. 11:15 Film: [illegible] with Peter Finch and Shelley Winters.

HTV WALES

[illegible] Championship Boxing (Welsh Heavyweight title fight between Andy Gerrard and [illegible], from the Star Leisure Centre, Splott, Cardiff).

SCOTTISH

11:30 am The Partridge Family. 1:40 pm FIFA Under 16 World Tournament: "Scotland v Ghana". The opening match of the third FIFA Under 16 World Tournament for the JVC Cup. 8:15 The Incredible Hulk. 10:45 FIFA Under 16 World Tournament (highlights of the first day's play in the 3rd FIFA Under 16 World Tournament for the JVC Cup). 12:45 am Kojak.

TSW

11:30 am The Chart Show. 12:30 pm [illegible] 2:15 Gus Honeybun's Magic Birthdays. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

TVS

11:30 am The Chart Show. 12:30 pm Supercross (the Honda UK Open). 2:15 The Incredible Hulk. 11:15 Film: "Not Quite Jerusalem" (1985) with Joanna Pacula and Sam Robards.

TYNE TEES

11:30 am The Partridge Family. 8:15 The Incredible Hulk. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

ULSTER

11:30 am The Partridge Family. 8:15 The Incredible Hulk. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

YORKSHIRE

11:30 am The Chart Show. 12:30 pm Small Wonder. 2:15 The Incredible Hulk. 2:30 Murder, She Wrote. 11:15 Film: "Body Heat" (1981) with William Hurt and Kathleen Turner.

RADIO

(S) Stereo on FM

RADIO 2

6:05 am David Jacobs. 8:30 Sounds of the 60s with Mike Berry. 10:00 Anne Robinson. 12:00 Gerald Harper. 1:00 pm The Long Hot Satsuma. 1:30 Sport On 2. Including Cricket, Tennis, Rugby Union, Motor Racing and Racing from Epsom. 6:00 Cinema 2. 6:30 Myself when Young. 7:00 Pop Score. 7:30 Gala Concert. 9:30 String Sound. 10:05 Martin Kelner. 12:05 am Night Owls with Dave Gelly. 1:00 Patrick Lunt presents 'Nightride'. 3:00-4:00 A Little Night Music.

RADIO 3

7:55 am Morning Concert. 8:15 The Week on 3. [illegible]

RADIO 4

7:00 am Today. [illegible] 4:00 News; Age to Age. 4:30 Science on 4. 5:00 Conversation Piece. 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News; Sports Round-Up. 6:25 Citizens (s). 7:10 Consuming Passions.

7:45 Saturday Night Theatre (s). 9:15 Music in Mind (s). 9:28 Ten To Ten (s). 9:58 Weather. 10:00 News. 10:15 The Saturday Feature. 10:45 Once Upon A Time . . . 11:00 Sweet and Low-down (s). 11:45 Acres and Pains (s). 12:00-12:30 am News.

SUNDAY

†Indicates programme in black and white

BBC1

8:55 am Playbus. 9:15 Making Sense... of Jesus. 9:30 This is the Day. 10:00 Handmade. 10:30 Business Matters. 10:55 When in Italy. 11:20 Parent Programme. 11:35 Who Cares? 12:05 pm Sign Extra. 12:30 Country File. 1:00 News; On the Record: Jonathan Dimbleby talks to Nigel Lawson about his plans for the economy. 2:00 EastEnders. 3:00 Film: "Arabian Adventure" with Oliver Tobias, Emma Samms and Christopher Lee. 4:35 Head of the Class. 5:00 Clothes Show Travel Classics. 5:30 The Animals Roadshow. 6:05 The Big E. 6:15 News. 6:30 Val Doonican's Homeward Bound. 7:05 A Party Election Broadcast by the Social and Liberal Democrats. 7:15 Three Up, Two Down

7:45 All Creatures Great and Small. 8:40 Mastermind: The Final with Magnus Magnusson. 9:20 News. 9:35 That's Life! 10:20 Everyman. 11:10 Look, Stranger. 11:35 The Big E: 'Food for Thought'. 12:00 Network East.

BBC2

1:05 pm International Bridge Club. 1:35 One in Four. 2:00 Grandstand featuring: 2:05 Water Skiing (The Carlsberg European Masters from Lincoln); 2:30 Motor Racing (closing stages of the Le Mans in France and Round 6 of the Esso British Touring Car Championships); 3:10 Cricket (Somerset v Yorkshire from Taunton in the Refuge Assurance League); 3:30 Tennis (French Open Championships from Paris: the final of the men's singles); 5:00 Cricket; 6:20 Water Skiing. 6:40 The Money Programme reports on the prospects for Hong Kong's economy and people.

7:15 The Rainbow Warrior Conspiracy. 8:05 Three of a Kind. 8:40 Second Sight: 'Jill Woolleston.' 10:10 A Party Election Broadcast by the Social and Liberal Democrats. 10:20 Moviedrome: Alex Cox introduces the season of cult movies. 10:25-12:15 am Film: "The California Dolls" starring Peter Falk.

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Ghost Train on Sunday. 10:15 The Campbells. 10:45 Link. 11:00 Morning Worship from St Andrew's Church, Biggleswade. 12:00 Visions. 12:30 pm The Weekend Live: 12:45 Police 5. 12:50 Local News and Weather. 1:00 ITN News, followed by ITV National Weather. 1:10 Eyewitness. 2:00 Coronation Street. 3:00 International Athletics: Pearl Assurance Games. 5:00 Bullseye. 5:30 The Wonderful World of Disney. 6:30 ITN News followed by ITV National Weather. 6:35 Local News and Weather. 6:40 Appeal. 6:45 Highway.

7:15 Family Fortunes. 7:45 We Are Seven. 8:45 ITN News, followed by ITV National Weather. 9:05 Local Weather. 9:00 That's Love. 9:30 Spitting Image. 10:00 European Election Broadcast by the Social and Liberal Democrats. 10:10 Tales of Sherwood Forest. 11:10 Let's Face the Music: George Gershwin. 12:10 am The Chart Show followed by ITN News Headlines.

CHANNEL 4

7:00 am Go Fishing. 7:30 International Times. 8:00 David the Gnome. 8:30 Children of Fire Mountain. 9:00 Dennis. 9:25 Movie Mahal. 10:00 Australian Rules Football. 11:00 Pob's Programme. 11:30 The Henderson Kids. 12:00 The Waltons. 1:00 pm Lost in Space. 12:00 "Dreamboat" starring Clifton Webb and Ginger Rogers. 12:30 "Cluny Brown" starring Jennifer Jones and Charles Boyer. 6:25 News Summary and Weather. 6:30 7-Sport.

6:45 The Cosby Show. 7:15 By the Seat of Their Pants. 8:15 Dance on 4: Savage Water. 9:00 The Manageress. 10:00 "Victim" starring Dirk Bogarde. 11:55 Election Brief. 12:10 am There is a Happy Land. 12:40 Chules Fronteras.

S4C WALES

As Channel 4 except:
10:00 am The World This Week. 1:00 pm Star Test. 1:30 Fideo 9. 2:10 To the Western World. 2:00 Criced (Morgannwg v Middlesex). 3:00 Allegro: Andres Segovia - The Song of the Guitar. 4:00 Criced. 7:15 Pobol Treegidle. 7:25 Newyddion. 7:30 Caryl Ac Elrien. 8:00 Hel Straeon. 8:30 'Ar Elch Cals'. 9:05 Y Duw Byw. 9:10 Fragile Earth. 10:05 Film on Four: "The Chain" starring Nigel Hawthorne and Warren Mitchell.
IBA Regions as London except at the following times:

ANGLIA

12:30 pm Farming Diary. 2:00 Highway to Heaven. 5:00 All Clued Up. 5:30 Coronation Street. (Omnibus.) 12:10 am Prisoner: Cell Block H.

BORDER

12:25 pm Scottish Country. 5:00 Highway to Heaven. 6:00 All Clued Up. 12:10 am Prisoner Cell Block H.

CENTRAL

12:30 pm Central Newsweek. 2:00 Highway to Heaven. 5:00 All Clued Up. 5:30 Coronation Street (omnibus edition). 12:10 am Prisoner Cell Block H.

CHANNEL

12:30 pm Reflections. 12:35 Les Français Chez-Vous. 12:50 Cyril Fletcher's TV Garden. 5:00 All Clued Up. 5:30 The Wonderful World of Disney. 10:05 Jack Duff and the Gary Lloyd Sound. 12:15 am Sledge Hammer! 12:40 Soap.

GRAMPIAN

11:45 am The Human Face of Japan: 'Lifetime Employment'. 11:15 Let's Rejoice. 11:45 Link. 12:30 pm Scottish Country (The Ettrick Shepherd). 5:00 Highway to Heaven. 6:00 All Clued Up. 12:10 am Prisoner: Cell Block H.

GRANADA

12:30 pm This is Your Right. 12:30 App Kaa Hak. 2:00 Disney Family Movie: 'Help Wanted: Kids' (Part One). 5:00 All Clued Up. 5:30 Coronation Street (omnibus edition). 12:10 am Prisoner: Cell Block H.

HTV

12:30 pm Farming Wales. 2:00 Charlie's Angels. 5:00 All Clued Up. 5:35 Coronation Street (omnibus edition). 12:10 am Prisoner: Cell Block H.

SCOTTISH

10:45 am Glen Michael's Cavalcade on GMTV. 11:15 Link. 11:30 Sunday Service from St Margaret's Roman Catholic Church, Johnstone. 12:30 pm Scottish Supplement. 2:00 Coronation Street (omnibus edition). 5:00 Euro Elections 89. 5:30 All Clued Up. 6:00 Scottish country. 12:10 am Crann Tara. 12:45 The Grand Ole Opry.

TVS

12:30 pm TVS News. 12:55 Agenda. 1:55 TVS Weather including Farming Weather. 5:00 All Clued Up. 3:30 The Wonderful World of Disney. 12:10 am Sledge Hammer! 12:40 Soap.

TSW

10:15 am Gus Honeybun's Magic Birthdays, followed by Cartoon Time. 10:30 Tightlines. 12:30 pm Farming News. 2:00 The Fall Guy. 2:55 Gus Honeybun's Magic Birthdays. 5:00 All Clued Up. 5:30 Coronation Street (omnibus edition). 12:10 am The Highwayman.

TYNE TEES

12:30 pm Falcon Island. 2:00 Who's the Boss? 2:30 All Clued Up. 5:00 Scottish Country. 5:30 Coronation Street (Omnibus edition). 12:10 am Inner Space. 12:40 Living and Growing for Adults.

ULSTER 12:25 pm Preview. 2:00 Benson. 2:30 Rallycross. 5:00 All Clued Up. 5:30 Coronation Street (omnibus edition). 6:00 Ulster Sports Results. 12:15 am Queen's Foundation Concert.

YORKSHIRE

12:25 pm Grassroots Gardening. 5:00 Highway to Heaven. 6:00 All Clued Up. 12:10 am Short Story Theatre. 12:45 ITN News Headlines followed by The Chart Show.

RADIO

(S) Stereo on FM

RADIO 2

7:30 Roger Royle says 'Good morning Sunday'. 9:05 Melodies For You. 11:00 Desmond Carrington with Your Radio 2 All-Time Greats. 2:00 pm Benny Green. 3:00 Alan Dell. 4:00 Those Beautiful Ballad Years. 4:30-6:00 Sing Something Simple. (6:00 FM joins Radio 1). 7:00 Charlie Chester. 8:30 Sunday Half-Hour. 9:00 Your Hundred Best Tunes with Alan Keith. 10:00 Songs from the Shows. 10:45 Laurie Holloway at the piano. 11:00 Peter Clayton with 'Sounds of Jazz'. 1:00 am Patrick Lunt presents 'Nightride'. 3:00-4:00 A Little Night Music.
Medium Wave as above, except 2:00-7:00 pm Sunday Sport, including Cricket, Athletics, Motor Sport, Tennis and Hockey. 6:00 Sports Report.

RADIO 3

7:00 am Mornings at Seven. 7:30 News. 7:35 Music Group of London. 8:30 News. 8:35 Your Concert Choice. 10:30 Music Weekly. 11:15 BBC Welsh Symphony Orchestra, with Cecile Ousset (piano): Verdi (Overture: The Force of Destiny), Prokofiev (Piano Concerto No 3), Brahms (Symphony No 4). 12:45 pm Andras Schiff (piano): Mozart (Variations on Gluck's 'Unser Dummer Pobel Meint' K455; Sonata in F, K533/494; Sonata in A minor, K310).

1:55 Third Ear: Sir Isaiah Berlin talks to John Drummond. 2:30 Barber: Cello Concerto. 2:50 "La Vanita Del Mondo," oratorio by Pietro Torri. Soloists/Musica Antiqua Köln/Reinhard Goebel. 4:25 Stamic String Quartet: Carl Stamitz (Quartet No 9), Schnittke (Quartet No 2), Smetana (Quartet No 1, 'From My Life'). 6:20 Celebrity Recital. Jose Feghali (piano): Ravel (Valses nobles et sentimentales), Villa-Lobos (Alma brasileira; Poema singelo), Brahms (Variations and Fugue on a theme by Handel). 6:40 The Grand Seasons. John Steane's history of opera at Covent Garden between the wars. 7:30 Leningrad Philharmonic from the Barbican Hall, London, conducted by Yuri Temirkanov, with Dmitri Alexeev (piano): Prokofiev (Symphony No 1, 'Classical'), Rachmaninov (Paganini Rhapsody). (8:10 Talk by Roderick Swanston on nationalism in Russian music and the reaction against it.) 8:30 Mussorgsky orch Ashkenazy (Pictures from an Exhibition).

9:15 Recollections of a Picture Dealer by Ambroise Vollard (1865-1939), art connoisseur and champion of the impressionists. 9:30 Schumann and Mahler Ruckert Lieder sung by Edith Wiens (soprano) with Graham Johnson (piano). 10:05 Beethoven String Quartets: The F minor, Op 95, played by the Endellion Quartet. 10:30 Choral Evensong. 11:25 Telemann and Weiss. 12:00-12:05 am News.

RADIO 4

7:00 am News. 7:10 Sunday Papers. 7:15 On Your Farm. 7:40 Sunday, including 7:55 Weather. 8:00 News. 8:10 Sunday Papers. 8:50 The Week's Good Cause. 8:55 Weather. 9:00 News. 9:10 Sunday Papers. 9:15 Letter from America by Alistair Cooke. 9:30 Morning Service.

10:15 The Archers. 11:15 News Stand. 11:30 Pick of the Week (s). 12:15 pm Desert Island Discs (s). 12:55 Weather. 1:00 The World This Weekend. 1:55 Shipping Forecast. 2:00 Gardeners' Question Time. 2:30 A Long Wave Goodbye (s). 3:30 The Radio Programme. 4:00 Faith and fortune. 4:27 The Education of Hyman Kaplan by Leo Rosten. 4:47 Treasure Islands. 5:00 News: Down Your Way. 5:40 Tales of a Dragon-Watcher.

5:50 Shipping Forecast. 5:55 Weather. 6:00 News. 6:15 Six Encounters in France. 6:30 Cat's Whiskers. 7:00 News; Open Mind. 7:30 The Local Network. 8:00 Bookshelf. 8:30 All in the Mind. 9:00 Byron in Exile (s). 9:15 The Natural History Programme. 9:59 Weather. 10:00 News. 10:15 The Unrequited Light (s). 11:00 In Committee. 11:30 Seeds of Faith. 12:00-12:30 am News.